EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,679 Friday October 28 1988 D 8523 A

SINGLE MARKET
Towards a bigger Bang
Page 20

World News

Dukakis shows signs of campaign strains

Democratic US presidential candidate Michael Dukakis, struggling to build support during the last few days of the campaign, appeared increasingly dejected as he toured the Midwest in an attempt to dent Republican George Bush's lead in the polls. Page 3

Violence in Gaza

A 16-year-old demonstrator was shot dead in the Israeli-occupied Gaza Strip as Palestinians stepped up protests and Israeli leaders toured the country campaigning for next week's general elections. Parties neck-and-neck, Page 6

Colombian strike

Leftist guerrillas attacked a police station and naval base and blew up power lines, railway tracks and a bridge in support of a general strike called by the three largest labour unions in Colombia. The Government estimated 97 per cent of workers had ignored the strike call.

Kurds 'repel attack'

Kurdish guerrillas said they beat back a helicopter-borne Iraqi army attack against their bases near the Turkish border, the biggest clash between the two sides since an Iraqi offensive in July and August.

SA poll verdict

All sides claimed success in Wednesday's racially segregated municipal elections in South Africa, although the far-right Conservative Party failed to make expected gains. Page 22; analysis, Page 8; editorial comment, Page 20

Waldheim in Syria

Austrian President Kurt Waldheim, who has faced questions over his wartime record, arrived in Syria to a warm welcome as a man of peace.

Pakistan amnesty

The Pakistani authorities freed a retired general jailed for conspiring to overthrow the late President Mohammad Zia-ul-Haq, and a former regional governor sentenced to 14 years in jail following his return from political exile in 1986.

Czech rebels held

Czech police rounded up at least 12 prominent dissidents as the Communist authorities celebrated the 70th anniversary of Czechoslovakia's birth as an independent state.

Tamil rebels killed

Three Tamil guerrillas were killed after a two-hour gun battle with Indian troops in eastern Sri Lanka.

Tokyo share scandal

Japanese Finance Minister Kiichi Miyazawa, his political future at stake, denied direct involvement in the Recruit Cosmos insider trading scandal. Tax bill intact, Page 4

Embassy 'bugged'

President Ronald Reagan said the new US Embassy in Moscow must be torn down and rebuilt – at a potential cost of $300m – because the structure is riddled with Soviet listening devices. Page 3

AIDS virus spreads

Between 5m and 10m people now have the virus that causes AIDS, according to the World Health Organisation. About half of these are expected to develop the disease over the next ten years.

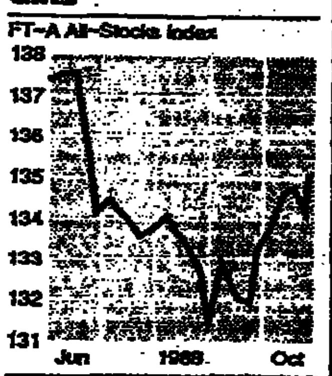
Business Summary

Bond lifts holding in Lonrho to 20 per cent

BOND Corporation, headed by Australian entrepreneur Alan Bond, has become largest shareholder in Lonrho, international trading group, boosting its holding to 20 per cent. Acquisition of further 5 per cent during past four days' trading has strengthened Bond's position for possible takeover bid. Page 23

UK Government bond prices rose by up to a point, after September trade figures cheered bond investors. Page 28

Gilts



GENERAL Motors, world's largest vehicle maker, reported stronger than expected profits thanks to higher car sales, particularly in Europe, offsetting lower earnings from non-automotive operations. Third quarter net profits hit record $959.2m. Page 23

BRITAIN'S Takeover Panel executive ruled that Pernod Ricard, French drinks group, breached its code while building part of its majority stake in Irish Distillers. Consequences for Pernod's battle with Grand Metropolitan for Irish Distillers not yet clear. Page 23

NEWMONT Mining, US affiliate of embattled Consolidated Gold Fields group of UK, reported second consecutive quarter of losses, as reorganisation costs and interest payments wiped out earnings from gold and coal. Page 24

PHILIPS, Dutch electronics giant, lifted third quarter earnings by 20 per cent to Fl 161m ($81m) as lower production costs more than offset flat selling prices. Company hopes to slash costs by Fl 800m this year through restructuring campaign. Page 23

EPEDA-Bertrand Faure, diversified French car seat company, is considering "Pac-Man" defence – involving counterbid by company under attack against its aggressor – against hostile takeover bid from Valeo, leading French car components group. Page 25

TOSHIBA, Japanese electrics and electronics group, announced 139 per cent increase in interim pre-tax profits to Y59.6bn ($473.4m), due to strong demand in electronics business. Page 28

CHRYSLER, third largest US car maker, saw third quarter earnings fall sharply to $112.5m, despite rise in North American car and truck market share. Company blamed cost of continuing sales incentives and heavier mix of fleet sales. Page 24

BEJAM immediately rejected £243.6m ($436m) bid from fellow UK frozen food retailer Iceland Frozen Foods. Page 29; Lex, Page 22

LORD Young, UK Secretary of State for Trade and Industry, defended consistency of Government policy towards corporate mergers, following criticism of recent decisions on referral to Monopolies and Mergers Commission. Page 22

Soviet Union plans to sell shares in industry and farms

By Quentin Peel in Moscow

THE SOVIET GOVERNMENT plans to sell shares in its state enterprises, and will eventually have a stock market, Mr Boris Gostev, the Minister of Finance, said yesterday.

The ideological volte-face will mean workers, other enterprises, and ordinary individuals, will be allowed to buy shares in both industrial and agricultural concerns, apparently without any limit except the paid-up capital of the enterprise.

"This means we shall have a stock market," Mr Gostev declared.

He was speaking in the Grand Kremlin Palace after presenting his budget to the Supreme Soviet, the Soviet parliament, for the coming year. In it, he revealed for the first time the extent of the Soviet Government's budget deficit and chronic financial plight, caused by years of massive food price subsidies and support for loss-making enterprises.

He said that food subsidies would cost Rs88bn ($143bn) in next year's Rs494bn budget. Overall state subsidies for food and industry will total Rs108bn next year – more than a fifth of the budget.

The deficit would total Rs36bn, or 7.3 per cent of the budget, because total revenues would only reach Rs458bn. The plight of state spending produced a devastating indictment of past Soviet policies from the Finance Minister.

"This is not a problem which has only just emerged," Mr Gostev told the Supreme Soviet. "It is the result of an unbalanced economy, of excessive subsidies, of huge losses caused by extensive management methods [going for quantity not quality], parasitic attitudes and passive financial policy.

"This is what we inherited from the past, on the one hand, and on the other, life does not stand still. We have had to take on some extra spending, which was unavoidable – health care programmes, then education, and the housing programme," he said. "We knew the situation was tense, and still took the decision to foot the bill."

The decision to sell shares in state enterprises and eventually set up a stock market, quite apart from being a renunciation of so much Marxist-Leninist ideology, is seen as a key way of allowing enterprises to raise urgently-needed finance outside the state budget.

"There will be two kinds of shares," the Minister said. "There will be shares for the personnel, employed by the factory in question, and also [shares] for selling to any buyer. These will be different.

"Of course, the law will regulate the issue – at least to not more than the paid capital. Shares must have some real collateral, and our financial and other bodies will monitor this activity."

He insisted that the state would not directly get any revenue from share sales, which would allow enterprises to be self-financing. Dividends, he believed, would be roughly comparable with savings bank interest rates of 3 or 4 per cent.

The search for alternative means of finance includes a drastic overhaul of Soviet taxation, including studies of a range of capitalist systems, Mr Gostev added. He also suggested that local soviets, and Soviet republics, should use more lotteries to balance their books.

He said that tax study teams would soon visit Britain, Italy, France and West Germany. "Right now we are interested in the British experience," he said. "We just want to see how you tackle the problem."

Hungary takes capitalist road, Page 22

Kohl criticised

East Germany yesterday broke its silence on the visit to Moscow by West German Chancellor Helmut Kohl by hitting out at his remarks about the "perversity" of Germany's division. East Germany's criticism was much stronger than that of Mr Mikhail Gorbachev, the Soviet leader, Page 2

Pledge on radar

Moscow yesterday said its controversial Krasnoyarsk radar station in Siberia would be turned over the Soviet Academy of Sciences for civilian use. The US claims that the station is being built in violation of the 1972 Anti-Ballistic Missile Treaty. Moscow also said it would destroy two other radar sites. Page 2

Wall St falls after junk bond issue meets resistance

By James Buchan in New York

WALL STREET stock market prices fell sharply yesterday after three leading investment firms were forced to delay plans to offer $1.15bn worth of high-yielding junk bonds in the face of fierce resistance to the offer from institutional buyers.

The three firms, led by First Boston, planned the bonds sale to provide long-term, fixed-rate financing for the $6.71bn takeover of the Federated Department Stores group earlier this year by Mr Robert Campeau's Canadian real estate group. The proceeds of the issue were designed to buy out the remnant of a $2.01bn bridging loan to Campeau by the three firms.

The retreat by the three, representing the worst setback for the junk bond market since last year's crash, sent a chill of uncertainty through US financial markets. Junk bonds are securities which have above average credit risks.

Stock prices tumbled amid fears that cautious debt markets are digging in their heels about financing the current wave of ambitious takeovers and leveraged buy-outs (LBOs).

This concern was reinforced by a warning to banks by Mr Alan Greenspan, US Federal Reserve chairman, that they should examine LBO financing in times of recession or high inflation. The Dow Jones Industrial Average stood 28.27 points lower at midsession at 2,136.91.

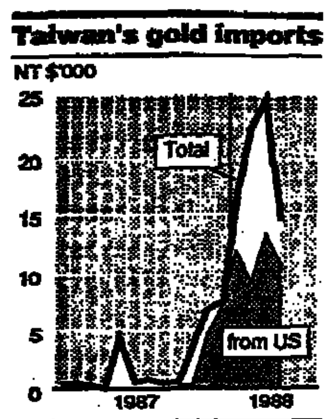
The decision is painful for First Boston, which structured the deal to buy out its own loans to the Campeau Organisation and is charging $89m in fees to the Canadian real estate group. Failure to sell the bonds quickly could severely hamper Mr Campeau's aggressive expansion into US department store retailing.

Wall Street analysts and bond traders say the market is now so sceptical of Mr Campeau that it could demand yields on the bonds as high as 16 per cent as well as a share conversion element. One leading junk bond analyst said: "There comes a point where it's not how much you're going to pay me but am I going to buy at any price."

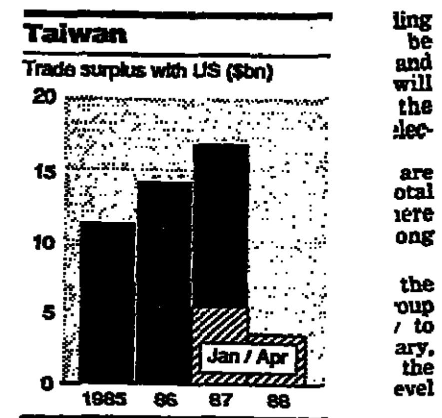
First Boston, which is leading an underwriting group that includes Paine Webber Continued on Page 22

World stock markets, Section II

Taiwan's gold imports



Taiwan



US protests halt Taiwan's gold purchases policy

By Bob King in Taipei

TAIWAN has abandoned its policy of buying gold to diversify its foreign exchange holdings.

This follows criticism from the US that the purchases were a means of artificially reducing the trade imbalance between the two countries.

The decision may further depress international gold prices, which in the past year have been bolstered by Taipei's buying spree.

Gold has fallen from $500 a troy ounce in London at the end of last year to $407 yesterday.

Mr Fredrick Chien, Taiwan's ambassador to Washington for almost six years and now head of its Economic Planning and Development Council, said the central bank's gold-buying policy "has effectively stopped." Mr Chien played down the about-face, saying only that the US had been less than happy with the Taiwanese practice, begun about a year ago, of buying gold from US-based gold traders and quietly including these purchases in its US import figures.

These purchases, worth about $2.5bn, had allowed Taiwan to claim that it halved its trade surplus with the US during the first eight months of this year, which has caused tension between the two countries.

Taiwan's central bank suddenly began buying large stocks of gold last year. Purchases totalled 65.3 tons in the fourth quarter of 1987, according to the World Gold Council. Buying reached 165.8 tons in the first five months of this year – bringing the country's total stocks to about 425 tons – and then ceased almost entirely.

The council's figures show no purchases in June and only 0.6 tons in July and August. Although official statistics for September are not yet available, gold dealers and industry analysts say they have found no signs of any further buying.

Before Mr Chien's statements officials in Taipei had claimed that the gold purchases were solely a means of rationalising Taiwan's foreign exchange reserves of more than $70bn – of which about 90 per cent were previously held in US dollars.

But it now seems clear that Taiwan was trying, through its gold purchases from US dealers, to defuse protectionist sentiment in Washington by means of the gold purchases which registered on paper as US exports to Taiwan. The central bank's decision to stop buying gold when the US objected to such tactics tends to support this argument.

The US argued that gold purchases made through dealers there should not be considered as "true" exports and that gold buying was a simple swap of one form of money for another.

"The only thing the US got out of those gold purchases may have been a few service charges," an economist in Taiwan said. "The emotional exchange that followed obscured the fact that there had been a real improvement in the surplus, even without Continued on Page 22

Gold, Page 46

Ruling on complaint against Japan

US trade officials will today announce their decision on the first major complaint filed against Japan under 1988 trade legislation. They must rule on whether to accept or reject a petition from US rice producers seeking to overturn Japanese protection against imports. Page 22

Howe warns against 'charity'

By Robert Mauthner, Diplomatic Correspondent, in London

WESTERN economic assistance to the Soviet Union could not be a substitute for a fundamental reform of the Soviet economy, Sir Geoffrey Howe, Britain's Foreign Secretary, warned yesterday in a speech in which he also emphatically opposed any kind of "Marshall Plan" for the Soviet Union.

In a lecture on East-West relations, Sir Geoffrey welcomed Moscow's reported intention to release all political prisoners, but reiterated Britain's opposition to Moscow as the venue for a human rights conference until the Soviet Union had met the West's other human rights criteria.

The sentiment was later repeated by Mrs Thatcher, the Prime Minister, in London.

The Foreign Secretary said that while Western countries should do everything they could to encourage Mr Mikhail Gorbachev's reforms, "unrequited concessions are not the answer."

An important distinction had to be drawn between mutually beneficial economic co-operation and "vague and grandiose notions to provide some kind of a Marshall Plan for the Soviet Union and Eastern Europe." The original Marshall Plan was a gift from the US to strengthen the exhausted Western European democracies against perceived Soviet expansionism. There was no case, today, for gestures of this kind by Western governments, he said.

The Soviet Union regarded itself as a developed industrial power. It had plenty of resources if it deployed them Continued on Page 22

Lawson keeps rein on inflation despite better UK trade figures

By Peter Norman and Philip Stephens in London

UNEXPECTEDLY good British trade and current account figures for September yesterday pushed sterling upwards, boosted prices of British government bonds and gave a temporary shot in the arm for equities in London.

But Mr Nigel Lawson, the Chancellor of the Exchequer, made clear in the House of Commons that the government will not relax its anti-inflation policy of high interest rates and a firm pound.

Rejecting calls from the opposition Labour Party for an early cut in interest rates and for a weaker pound, he said: "A firm exchange rate and adequately high interest rates are absolutely essential in keeping on top of inflation".

Official figures released yesterday showed that Britain's current account balance of payments deficit fell to a provisional, seasonally adjusted £560m ($974m) last month from £1.3bn in August and July's record high of £2.15bn.

Financial markets which had geared themselves for a September current account deficit of between £1.3bn and £1.5bn and had been troubled immediately before the announcement by rumours that the deficit would be much larger responded enthusiastically.

The pound immediately gained 2¼ pfennigs against the D-Mark and 2 cents against the dollar, while gilt-edged prices gained around a point and equities reversed early losses.

The euphoria waned somewhat later with the Bank of England's trade weighted sterling index closing at 76.3 compared with a midday high of 76.5 and Wednesday's closing level of 76. But sterling still closed 2 pfennigs up against the D-Mark at DM3.1425 and gained just over a cent against the dollar to $1.771 from 1.76.

At the close of business in London, gilt-edged stocks showed gains ranging from ½ point for short dated stock to 1 point for long dated issues. Shares, however, lost most of their advance in reaction to Wall Street's early fall. The FT-SE 100 Share Index closed just 1.4 points up at 1,852.1 while the FT ordinary closed 0.6 points lower at 1,502.6.

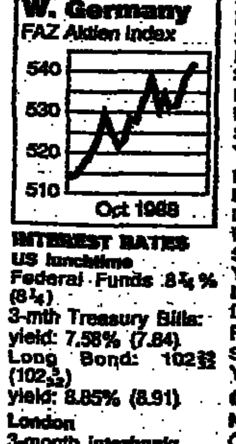
The surprisingly low current account deficit reflected a sharp increase in British exports last month. The Department of Trade and Industry reported that exports rose to an all time high of £7.56bn in September from £6.75bn in August, while imports grew more slowly to £8.62bn from £8.56bn.

Britain's visible trade deficit fell as a result to £1.06bn in September from £1.81bn in August and July's record level of £2.85bn. Britain's surplus from invisible earnings such as banking and insurance was estimated at £500m in each of the three months.

Markets, Section II

MARKETS

W. Germany



STERLING
New York close
$1.7675 (1.761)
London:
$1.7710 (1.76)
DM3.1425 (3.1225)
FFr10.715 (10.6650)
SFr2.645 (2.6475)
Y222.75 (221.25)

DOLLAR
New York close
DM1.778 (1.7747)
FFr6.09 (6.0635)
SFr1.4965 (1.50475)
Y126.05 (125.675)
London:
DM1.7740 (same)
FFr6.05 (6.06)
SFr1.4995 (1.504)
Y125.75 (125.7)

INTEREST RATES
US lunchtime
Federal Funds 8¼% (8¼)
3-mth Treasury Bills: yield: 7.38% (7.84)
Long Bond: 102⅜ (102⅝)
Yield: 8.85% (8.91)
London
3-month Interbank: close 12% (12⅛)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,140.83 (-24.35)
S&P Comp 277.28 (-4.1)
London:
FT-SE 100 1,852.1 (+1.4)
World: 133.24 (Wed)
Tokyo
Nikkei Ave 27,722.92 (+102.32)
Frankfurt
Commerzbank 1,641.6 (+14.1)

OIL
Brent 15-day (Argus) $12.30 (+16½cts) (Nov)
West Tex Crude $13.495 (+19cts) (Dec)

GOLD
New York latest Comex Dec $410.1 (411.1)

CONTENTS

Showpiece car plant falls victim to glasnost

By John Lloyd in Moscow

SOVIET self-criticism has reached the showpieces of the economy, and to the very moral foundations of the system. Latest victim of glasnost: the vast Vaz car plant at Togliatti, on the Volga, praised two years ago by Mr Mikhail Gorbachev as a model of future development, fruit of a joint venture between the Soviet Automobile Ministry and Fiat of Italy, and now described by the prestigious Literary Gazette in its latest issue as in a "pre-crisis situation".

Worse, it has produced huge "alienation" in its workforce: precisely the effect which was seen, by marxists, as uniquely the effect of capitalism. Indeed, the only question which remains from the gazette's description is why the crisis should be "pre".

The Vaz plant produces 600,000 cars a year, half the Soviet output, employing 110,000 workers. Most of the output is still based on the 1960s Fiat 124 – marketed in the Soviet Union as the Zhiguli – the Lada overseas – already five years out of date when the plant began production in 1970.

New hatchback models, also based on Italian designs, are now under production. All are poor in quality. On any given day, more than 5,000 cars lie in the factory, unfinished for lack of parts; workers routinely cannibalise finished cars for components in order to keep the lines moving. Some 150 parts are made from sub-standard materials, and though the suppliers have recently been subjected to the new State Control Commission, workers at the plant say they are as bad as ever.

The plant reached its lowest point in 1983 – the result of the "years of stagnation" of the Brezhnev era. In that year, 12m roubles were spent by the plant on patching up the finished models alone.

Now, says the gazette, matters have hardly improved: the attitude of workers and managers is dominated by "anxiety" (over the future) and "resentment", which extends to importunate customers as much as to suppliers and the overseeing ministry. Yet, bad as its products are, the Vaz plant still produces better cars than the Moskvitches or the Zaphorets – the two other mass-produced cars available to Soviet private customers – because they were originally based on Italian designs.

Embezzlement

The rot set in when the Italian management of the early '70s gave way to Soviet management, and when the first talented and energetic Soviet general manager, Viktor Polyakov, left.

He fell victim to promotion (to Minister of Automobile Production) in 1976. At the same time, a new model, the Niva, was put into production, impossibly overloading the plant's systems.

The factory's problems are compounded by low living standards in the surrounding town of Togliatti, a growing city of 700,000. Food is so scarce it is rationed. Workers no longer regard the town as a prestigious place to work. Many of the jobs are part time and poorly paid. Alienation is rife: embezzlement, drunkenness and absenteeism are growing. "Who can speak of better quality in these conditions?" asks the gazette.

The overall problem, it says, is that the Soviet leadership originally saw the plant as essentially an earner of foreign currency. Attitudes towards personal ownership of cars are still deeply ambiguous. In part it is seen as prestigious, and huge numbers of citizens are queueing, often for ten years, for a model.

On the other hand there remains in both official and more widely in unofficial attitudes a transport asceticism which sees the possession of a car as inegalitarian and conspicuously consumptive.

The answer proposed is to have done with all that; to put the ownership of a car at the centre of the perestroika project. Not just to satisfy consumer wants – but to use the of the car industry as a dynamo for the rest of the economy. Joint ventures in the car industry should be encouraged. Above all, there should be a number of strong and competing enterprises stimulating each other to higher output and better quality.

Workers at the plant itself should be enabled to buy their own product much more easily. At a price of 9,000 roubles, it would take an assembly line worker on 200 roubles a month nearly four years to get a car if he did not eat or drink.

Last week, Mr Gianni Agnelli, the Fiat chairman, said on a visit to Moscow that he would be prepared to finance another monster plant on the Volga, with an investment of 3bn roubles. However, no firm agreement has yet been signed.

Moscow acts to ease US fears on radar station

By Quentin Peel in Moscow

THE Soviet Union announced yesterday it had decided to turn over its controversial Krasnoyarsk radar station in Siberia to the Soviet Academy of Sciences for civilian use.

The radar, which the US claims is being built in violation of the 1972 Anti-Ballistic Missile Treaty, could eventually become an international space research centre, as proposed by Mr Mikhail Gorbachev, the Soviet leader, last month.

At the same time, the Soviet Government has said it will destroy two other radar installations which have been questioned by Washington as in possible violation of the ABM treaty.

The move by the Soviet Government is a clear attempt to bring pressure to bear on the US itself to observe the strict interpretation of the ABM treaty, which would effectively rule out the testing of any space-based nuclear defence system such as the Star Wars programme.

However the US Government has hitherto been adamant that Krasnoyarsk must be completely dismantled, and dismissed Mr Gorbachev's proposal last month as inadequate.

The Soviet Union says that the US is itself violating the strict provisions of the ABM treaty with modernised radar installations at Fylingdales, in Yorkshire, England, and at Thule in Greenland.

Moscow yesterday called for the US to "take steps to remove the USSR's concern" over those facilities.

The treaty bans any new facilities which could provide a territorial defence system, which would have been the case with Krasnoyarsk, and could also be true of the Thule and Fylingdales phased-array radars. The US installations also appear to conflict with the provision that such systems should be along the periphery of US national territory.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said the Soviet Union would continue insisting on strict observance of all the provisions of the ABM treaty. It was ready to discuss at expert level with the US and other nations specific measures to turn the radar into a centre of international co-operation in the use of outer space for peaceful purposes, which could be included in a world space organisation.

Those talks could also lead to dismantling and remodelling some of the equipment and structures at the plant, he said, tacitly confirming that perhaps its original purpose was not entirely for tracking satellites and other objects in space.

The two other facilities which Moscow says it is prepared to destroy are wagons that formed part of a mobile radar station at the Sary-Shagan missile test range, Mr Gerasimov said. They had been resited outside Moscow and Gomel. Although Moscow insisted that both had been intended entirely for civilian purposes, "since our assurances that they would only be used in the national economy have not removed US concerns and suspicions, they will be destroyed".

Implementation of the plan could be discussed in Geneva at the regular ABM treaty monitoring meetings.

Solidarity leader sees little hope of talks

By Christopher Bobinski in Warsaw

LECH WALESA, the Solidarity leader, has said the Polish authorities lack the will to resolve the country's basic political problems, thus dashing what little hope remained that round table talks would start today.

The talks, which were first proposed by the Government at the end of August amid strikes in the country's ports and coal mines, were to have focused on a possible role for the opposition in alleviating Poland's economic and political plight.

Solidarity has insisted throughout that the authorities must first recognise the trade union before it will consider entering official institutions like parliament, and taking some responsibility for unpopular economic policies.

Yesterday Mr Walesa confirmed that the authorities were still resisting the demands for legalisation.

"They still choke on the word Solidarity," he said in Gdansk. Mr Walesa denied that his statements meant that the round table process had collapsed completely, but some time will have to elapse before the initiative can be taken up again.

On Tuesday, the authorities, who have been insisting that Mr Walesa drops two veteran advisers from his negotiating team, suggested further preparatory talks between the two sides before the "round table" met today.

Yesterday Mr Walesa said: "It is only worth talking when there is a will to resolve problems," implying that there was no point in even contemplating concessions as long as his basic demand is not met.

Rocard loses his cool at RPR referendum tactics

Paul Betts reports on the political machinations over France's vote on New Caledonia's future

THE referendum next month on the future of New Caledonia is provoking a bitter political showdown between the Socialist Government of Mr Michel Rocard and the neo-Gaullist RPR opposition party, and threatens to undermine Mr Rocard's moderate image and his efforts to enlarge his political base towards the centre.

Mr Rocard caused an uncharacteristic uproar in the National Assembly on Wednesday when he accused the Gaullists of "cowardice" after the RPR told its supporters to abstain in the New Caledonian referendum on November 6. All the parliamentary representatives of the Gaullist party stormed out of the National Assembly in outrage at the Prime Minister's remarks.

The unexpectedly aggressive attack against the Gaullists by Mr Rocard reflects his growing anxiety over the lack of enthusiasm and interest in France for the forthcoming referendum. Recent public opinion polls are forecasting an unprecedented abstention rate for the referendum of as much as 63 per cent.

Only last month the turnout in the French local cantonal elections was very low, suggesting that the French have become increasingly weary of the succession of elections this year in France.

Mr Rocard, who has invested considerable time and effort to resolve the crisis in the French Pacific territory, has been vigorously campaigning to try to avoid a disastrously low turnout in the referendum which would undermine the Government's peace plans for New Caledonia.

The resolution of the New Caledonian crisis, which risked plunging the territory into civil war, constituted the first major act of the Rocard Administration. Mr Rocard scored an important personal victory by bringing together the rival pro-French and separatist camps in New Caledonia to agree on a 10-year plan to define the future of the French territory.

An unexpectedly aggressive attack against the Gaullists by Mr Rocard reflects his growing anxiety over the lack of enthusiasm and interest in France for the forthcoming referendum, with opinion polls forecasting an unprecedented abstention rate

The referendum next month is designed to endorse these so-called Matignon agreements. These foresee a year of direct rule from Paris followed by the division of the territory into three autonomous regions.

The right-wing opposition parties have been politically embarrassed by the success of Mr Rocard in settling the New Caledonian crisis. While the centrist UDF coalition has reluctantly urged its electors to vote in favour of the Matignon agreements in the referendum, the Gaullist RPR party has sought to undermine the Socialist Government by urging its voters to abstain. Although many RPR members have expressed support for the New Caledonian peace plan, the RPR has clearly been reluctant to back openly the plan by voting "yes" in the referendum because they claim this could be construed as a Gaullist vote of confidence in the Socialist administration.

Mr Rocard, whose Government has launched a television campaign to try to mobilise French voters, has now attempted to whip up interest in the referendum by provoking a political clash with the RPR. In so doing, however, he appears to be taking a political risk of undermining his own image of political tolerance. Indeed, Mr Rocard has long sought to de-dramatise political life in France and has repeatedly criticised "show business politics".

At the same time, Mr Rocard's outburst against the RPR also risks making it harder for the Socialist minority Government to broaden its political base by attracting more centrist voters. But Mr Rocard yesterday appeared to have no regrets over his controversial remarks in the National Assembly. He said yesterday that the RPR's attitude towards the referendum justified his indignation and defended his peace plan by asserting that for the first time in its history, France was launching a decolonisation process without change of sovereignty.

E Germany hits at Kohl Berlin remarks

EAST GERMANY broke its silence on Chancellor Helmut Kohl's Moscow visit yesterday by sharply criticising his remarks about the "perversity" of Germany's division, writes Leslie Colitt in Berlin.

The attack went well beyond the criticism expressed by Mr Mikhail Gorbachev, the Soviet leader, and was East Germany's only commentary so far on the West German leader's visit.

The main Communist party newspaper Neues Deutschland blamed Konrad Adenauer, the first West German chancellor, for "dividing" Germany by introducing currency reform in 1948, establishing the Federal Republic in 1949 and bringing it into Nato.

The East German authorities this month banned the Soviet magazine Sputnik over an article on Stalin which criticised the Soviet-Nazi friendship treaty in 1939.

EC inflation rising

THE European Community's inflation rate is set to increase slightly this year, despite recording a downward blip last month, according to the latest Commission estimates, writes William Dawkins in Brussels.

Present trends suggest EC inflation should be 3.5 per cent for 1988, up from 3.3 per cent last year. The monthly rate dipped from 0.5 per cent in August to 0.4 per cent in September. But there are big differences, with low inflation in the Netherlands and the highest price increases in Portugal.

French trade surplus

France's visible trade balance was back in surplus last month after an unexpectedly large deficit of FFr 5bn in August which had shaken the French authorities.

The announcement yesterday of a FFr 486m seasonally adjusted trade surplus in September helped prop up the French currency.

Portuguese move

The leader of Portugal's main opposition party, the moderate-left Socialists, resigned yesterday, citing internal bickering and lack of support for his policies, Reuter reports from Lisbon.

Mr Vitor Constancio told a news conference: "It is ridiculous to have party congresses to discuss problems and cast doubt on elected leaders. I prefer to leave now than be a transitional leader." He added he would preside over an extraordinary party congress in about a month to elect a successor.

Banking magnate flees court

By Peter Bruce in Madrid

JOSE MARIA Ruiz Mateos, the colourful former head of the Rumasa banking, property and trading empire expropriated by the Spanish Government when it was on the brink of bankruptcy in 1983, has escaped from custody where he is awaiting trial on a number of fraud charges.

Mr Ruiz Mateos disappeared at midday yesterday after making a brief appearance in Madrid's Supreme Court.

Mr Mateos left the courtroom to wait for police to return him to his cell but had vanished by the time they reached the room.

Police later found a bag, three false moustaches, some tape and an old newspaper near the window of a toilet attached to the room he was waiting in. The head of security at the courts has been dismissed and the authorities have opened an investigation.

Mr Ruiz Mateos has been in and out of jail a number of times since being extradited from West Germany in late 1986 to face fraud charges.

State prosecutors said two weeks ago they would seek a 12 year jail sentence for Mr Mateos and wanted the six executives to repay some Pta 652bn that it had cost the state to nationalise, "sanitise" and reprivatise Mr Mateos's Rumasa group.

Mr Ruiz Mateos, meanwhile, has been conducting an unsuccessful effort to win back his old empire which has since been sold off to a variety of banking and property interests. He is also trying to take his case to the Court of Human Rights in The Hague, charging that the expropriation was unfair.

He was re-arrested and jailed on September 15 after being spotted at a service station near Barcelona.

Hungary may mark grave for Nagy

By Leslie Colitt in Berlin

MR IMRE NAGY, the Prime Minister of Hungary during the 1956 uprising who was executed by the Soviet Union, is apparently to be permitted a marked grave.

Mr Nagy's soviet-backed successor, Mr Janos Kadar, refused to allow the site of Mr Nagy's final resting place to be revealed. But since Mr Kadar's removal last May as head of the party, the new party leader Mr Karoly Grosz has displayed less rigidity while refusing to rehabilitate Mr Nagy. Several hundred members of the opposition were allowed to gather last June on the 30th anniversary of the execution at plot No 301 of the Rakoskeresztur cemetery in Budapest where Mr Nagy's remains are believed to be buried.

Mr Janos Berecz, a member of the ruling Politburo and Central Committee secretary for ideology, noted in reply to a viewer's question on Hungarian recently that the Government was dealing with the question of giving Imre Nagy a marked resting-place.

He said it was a "painful process" which required a little time. An exhumation was needed and agreement with the family had to be reached on when the remains could be handed over, where the grave site was to be and the "method of burial." Mr Berecz reiterated that this was not a rehabilitation of Imre Nagy but simply paying the last funeral rites.

Prosecutions may follow Como crash

By John Wyles in Rome

NINE people may be prosecuted for culpable homicide over the disaster a year ago in which 37 people lost their lives aboard a Franco-Italian ATR-42 aircraft.

However, the state prosecutor at Como in Northern Italy, Mr Mario Del Franco, has dropped similar charges against a further 15 people who received judicial warnings last May.

Those likely to be brought to trial include an employee of France's Aérospatiale, three technicians at Italy's Directorate of Civil Aviation, an official of the Italian aircraft certification and registration agency, Rai, and four employees at Ati, the Alitalia subsidiary which was operating the crashed aircraft.

The lawyer representing the families of the two aircrew piloting the aircraft when it came down in darkness in the Italian Alps claimed yesterday that the possible prosecutions vindicated their views of what caused the crash.

"We have always been convinced that the disaster was due to a number of causes, in particular to the ATR-42's sensitivity to icing and its strong tendency to stall in such conditions and to the lack of information given to those who had to fly it," said Mr Felice Sarda.

In the immediate aftermath of the crash, the manufacturers, Aérospatiale and Aeritalia, were quick to blame pilot error.

However, a special committee of inquiry blamed a combination of extreme weather conditions and human error.

In particular, it found that Ati pilots had not been properly trained to fly the aircraft in very icy conditions and that the flight operating manual did not contain the manufacturers' recommendations on minimum speed and altitude limits in such conditions.

Alarm over purchase of Italian banks

By Alan Friedman in Milan

THE CAMPAIGN by big Italian industrialists to buy control of banks was causing growing alarm yesterday at the Bank of Italy.

The concern, in the wake of criticisms of its policy, including that of Mr Guido Carli, a former central bank governor, was prompted yesterday by a sharp attack from Mr Mario Monti, a prominent economist and a recently appointed main board member of Fiat.

Mr Monti, who besides his Fiat post is also deputy chairman of Banca Commerciale Italiana, Italy's second biggest state bank, described the Bank of Italy's fears as "mistaken" and criticised the central bank's "monopoly" position as supreme regulator of all aspects of the banking system.

Mr Monti emphasised yesterday that his position on the controversial issue of industry and banks "is one I have already stated in the past and has nothing at all to do with the fact that I have recently joined the Fiat group".

Fiat, which indirectly holds a minority stake in Nuovo Banco Ambrosiano, has been at the forefront of a campaign against the central bank's policy. This is based on the fears of Governor Carlo Azeglio Ciampi that conflicts of interest could arise if industrial companies own banks.

Mr Carlo De Benedetti last Spring acquired effective control of Credito Romagnolo, a wealthy Bologna-based bank.

Both the Agnelli and De Benedetti groups are juridically only minority shareholders of their respective banks.

Last night Mr Ciampi said: "Our position remains that the control of banks by industrial companies is dangerous."

Asylum-seekers start to stretch the Swedish system

Sara Webb in Stockholm looks at the winds of change in a place of refuge

MR X came to Sweden two years ago as a political refugee from South America. He had spent nine years in prison including four years in solitary confinement. He was tortured and treated so badly that he has found it difficult to adjust to a normal life in Sweden.

Even though he is entitled to generous benefits in Sweden, he insists on living in an unfurnished room and sleeping on the floor because he was so accustomed to living in a bare cell. He will probably never be able to work again and depends entirely on the welfare state.

He is just one example of the many thousands of refugees who receive a generous welcome in Sweden each year. They are entitled to job training, free housing, until they can find work and support themselves, and in some cases, free legal assistance.

Like all immigrants, they may receive financial incentives to attend up to 700 hours of Swedish language lessons to help them settle into Swedish society and secure a job.

Child care services and schooling are also free, and children are encouraged to learn Swedish while maintaining their native language at special classes in schools and child care centres.

Five years ago only 3,000 refugees were given asylum in Sweden, compared with 18,000 in 1987. The surge in numbers has placed an enormous strain on the system – especially in dealing with resident and work permits, and housing in an atmosphere of acute shortage nationally – and the traditional Swedish welcome is also showing signs of strain.

Among other things, social workers complain that the increase has exposed a chronic shortage of doctors qualified to deal with torture victims.

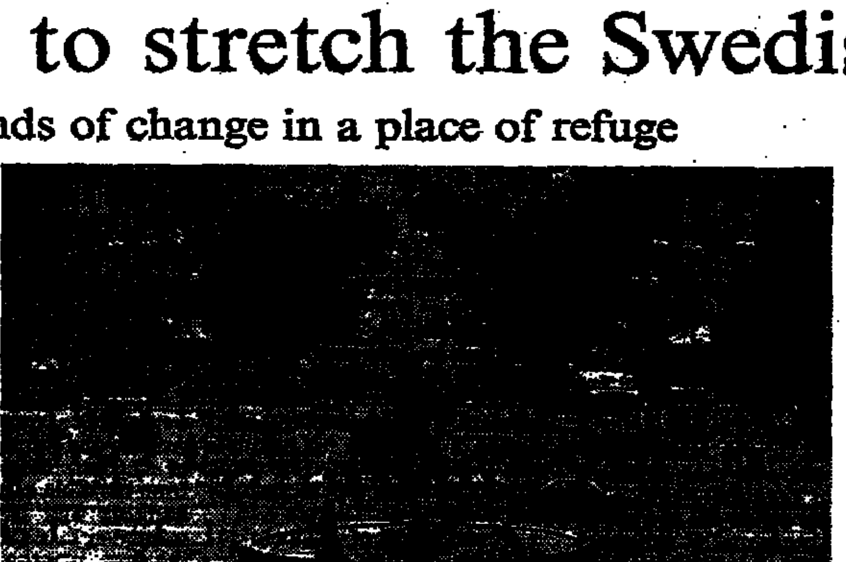
Many of the refugees who fled from countries such as Zaire, Uganda, Argentina, Chile, Uruguay, Turkey and Iran, need medical and psychiatric attention. At the Red Cross hospital in Stockholm – the main centre for dealing with torture cases and where doctors document these by country of origin to provide a reference guide to methods used by particular regimes – some cases have to wait up to nine months for treatment.

Meanwhile, the immigration authorities face a deluge of applications for asylum: on average, refugees wait nine months for permission to stay, and in some cases as long as two years, where social workers complain they are in danger of becoming institutionalised.

The authorities say about 20 per cent of applications to stay in Sweden are rejected, in most cases because it is felt that the applicants are only looking for a more comfortable lifestyle and are not true political refugees. However, social workers claim there have been cases of rejected refugees returning home to countries such as Turkey and Lebanon being immediately imprisoned.

Recent reports in the Swedish press have suggested that many of the applicants from Chile these days are not true political refugees, but want to come to Sweden for its higher standard of living. In fact, some of the original political refugees from Chile are already starting to return home.

Much of Swedish industry suffers from an acute shortage of labour; many employers would like to recruit directly from the placement centres where refugees stay while waiting for permits to wind their way through the bureaucracy.



A welcoming vista: many of Sweden's refugees settle in major cities including Gothenburg (above), but the authorities are trying to disperse immigrants across the country

The shortage of labour is considered so bad that some industrialists have warned they may have to shop abroad for skilled workers.

"It would be a big mistake to import labour when we have refugees who can only get jobs in cleaning and washing up," says Ms Lisbeth Oulis who works at a refugee reception centre in Stockholm. She believes more flexibility is required in evaluating foreign credentials. And she says too little effort is made to find skilled refugees at the placement centres and to give them intensive Swedish lessons so that they can put their skills to use.

Scouring a placement centre recently, the authorities found 12 doctors and nurses who had been looking for suitable work for months. They were given intensive courses in Swedish and quickly found jobs.

The Government is conscious of the problem. This week, the finance ministry, in announcing a wide-ranging prices and incomes package, proposed investing an additional SKr200m ($32.8m) on labour market measures, of which SKr88m has been earmarked for schemes aimed at refugees and immigrants seeking jobs. The Government's total 1988-89 budget for all labour market schemes is SKr28bn.

However, more worrying than labour market problems has been a noticeable change in attitude towards accepting refugees.

In the early 1980s, immigrants flocked to the big cities and nearly 60 per cent found their way to the greater Stockholm area. In a suburb like Rinkeby, a foreigner can walk around and seldom catch a glimpse of indigenous Swedes.

Immigrant children quickly picked up what the newspapers described as a "Rinkeby dialect," and schools in immigrant areas started to complain that it was becoming more difficult to teach a high standard of the Swedish language.

Since then, the authorities have tried to disperse refugees and other immigrants more evenly across the country in the hope they would receive a better service and integrate more rapidly. But not all areas of Sweden are so keen on the idea.

The southern Swedish town of Sjöbo held a referendum last month to decide whether they should take on refugees. The inhabitants voted overwhelmingly against – despite a nationwide campaign to shame them into acceptance – and sparked off fears at the immigration board that other municipalities could follow suit.

Sweden's high standard of living and the absence of an underclass help to guard against racial conflict. While acknowledging the considerable financial assistance, many refugees and other immigrants find Swedish society difficult to penetrate.

The Sjöbo community has now sent out letters to other municipalities recommending that they also hold referendums on whether to take refugees.

And while the immigration board has signed deals with the vast majority of the municipalities by which they agree to accept refugees, it admits that a handful are hesitating on the grounds that they lack adequate housing, child care facilities or interpreters.

With Sweden's reputation as a generous provider for refugees, it seems unlikely that the stream of asylum seekers will abate; but it is increasingly apparent that the benefits are no longer one-way.

Nato review of nuclear policies

NATO defence ministers, beginning two days of talks on nuclear planning, sought yesterday to head off a threatened crisis over Belgium's policy on short-range nuclear weapons, Reuter reports from Scheveningen in the Netherlands.

The 14 ministers from Nato's 16 countries were reviewing the state of Western nuclear defences following the US-Soviet treaty scrapping medium-range missiles.

The meeting, a regular autumn session of the Nuclear Planning Group, was scheduled to debate ways of reshuffling remaining nuclear arms in Western Europe and launch a step-by-step programme to modernise short-range nuclear weapons.

But unity came under threat from Belgium whose six-month-old centre-left government has said any moves towards modernisation of short-range or tactical nuclear weapons in the present East-West climate would be premature.

The Belgian Defence Minister, Mr Guy Coeme, suggested he would not endorse a Nato report to the meeting which sets out a role for short-range nuclear weapons in alliance strategy.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK.

US capital gains tax cut studied

By Nancy Dunne in Washington

MR Nicholas Brady, the US Treasury Secretary, is reportedly favouring a proposal to promote long-term US investment by instituting a sliding-scale capital gains tax cut.

The secretary, who is widely expected to stay in his post in a Bush administration, is considering a system under which the tax rate on a capital gain would decline the longer an investment is held, according to the Washington Post.

The capital gains tax has become controversial in the election campaign. Vice-President George Bush has proposed cutting it from 28 to 15 per cent, while his rival, Governor Michael Dukakis, in search of middle-class votes, has complained that the reduction would mostly benefit people earning more than $200,000 a year.

The tax was in effect raised in legislation in 1986, which made all gains from stocks, real estate and other investment subject to taxes at a rate of 28 per cent. Previously, only 40 per cent of capital gains was subject to tax, at a top rate of 50 per cent.

A Congressional Budget Office study concluded that the change in the 1986 law raised $2.5bn-$5.8bn a year. It projected losses of tax revenue of $3.9bn-$7.8bn if the capital gains tax were slashed to 15 per cent.

Hopes fade for dejected Dukakis

By Lionel Barber in Pueblo, Colorado

THERE is a sombre air about the final days of Governor Michael Dukakis's presidential campaign.

Sam Donaldson of ABC News calls it the Bataan death march, a reference to the humiliating American retreat before Japanese forces in the Philippines in World War Two. Here in this little steel town on Colorado's Western Slope, the local US Senator Tim Wirth is equally expressive: "We are getting the shit kicked out of us."

The Duke himself appears dejected by the negative tone of the campaign, and his failure to dent Vice-President George Bush's lead in the polls. The Democratic nominee is also growing weary, the victim of a travel schedule which grows more brutal as his staff battles the perception in the US press and television that his is a lost cause.

The reporters on board "Sky-Pig" – the wide-bodied campaign jet – would like nothing better than to write the story of a Dukakis comeback. Yet a comeback story requires a comeback candidate, and Mr Dukakis has so far refused to do or say anything dramatically different to persuade reporters to change their glum tune.

By the time he made his way from California to Colorado and Illinois this week, Mr Dukakis had reduced what promised to be an campaign of new ideas and bold action to four words: "I'm on your side."

This is the distilled economic populism – with its attacks on Wall Street, foreign investment and foreign competition – which the Massachusetts governor attacked Congressman Richard Gephardt of Missouri for promoting in the primaries last spring. Now he hopes it will catch the evening news shows and the attention of voters in the industrial Midwest, the region which offers his last chance of pulling off an upset win on November 8.

Yesterday in Chicago, his message was received well. An enthusiastic crowd roared with approval when Mr Dukakis attacked a Bush proposal to cut capital gains taxes for the wealthy. He mocked the idea that this would help create jobs: "Maybe it would be a job for a second butler or a new lifeguard at the pool."

Mr Dukakis appeared much more confident. But it is not exactly clear what he stands for any more. In Denver, late on Tuesday night, during a 90-minute live interview, he was asked by ABC's Ted Koppel to define the word liberal, the term Mr Bush has used time and again to cast Mr Dukakis as soft on crime and soft on defence.

Here was the Democratic nominee's chance to articulate a political creed and to make an impassioned appeal to voters. Instead, he hedged by saying the question should be addressed to Mr Bush; then he described himself as a liberal with conservative policies; then he mentioned Franklin Roosevelt, and finally he talked about how he had cut taxes and signed one of the toughest child pornography bills in the country.

Just what is the governor afraid of? His aides demur, but some of his supporters are clearly frustrated. More than 40 prominent Americans all signed a full page advertisement in the New York Times on Wednesday slamming Mr Bush for using "liberalism and liberal" as terms of opprobrium and defending the liberal tradition.

The failure to define – and defend – liberalism is as much a failure of the Democratic Party as of the candidate himself as it searches for a plurality in the electorate. Mr Dukakis simply may not be a big enough politician to do this.

But, as he showed during a town meeting in Naperville, just outside Chicago, on Wednesday night, he recognises the problems facing contemporary America which defy the complacent rhetoric of Mr Bush.

Mr Dukakis spoke about how one child in four drops out of high school; how rising land prices are putting housing out of reach of middle-income families; how one in three of the 3m homeless are war veterans, many of Vietnam; and how the US, with 5 per cent of the world's population, is consuming 50 per cent of the world's cocaine.

What a pity that Governor Mario Cuomo had just been in Chicago making the very same points and causing local Democrat officials to swoon. Mr Dukakis is no Cuomo, even when he speaks Spanish. And so, with 11 days to go to polling day, he remains a candidate in search of an ace in the hole.

Shy watchdog ponders the world's bad debtors

Stephen Fidler looks at the work of ICERC

IN Washington this week, nine bank regulators with power to force banks to write off bad debts have been discussing how US banks should be evaluating their loans to developing countries. In about four weeks, the results of the deliberations will be sent out to banks across the US. Bankers will be told not to disclose the decisions.

This body – the Interagency Country Exposure Review Committee – is little understood even inside the US. This is partly a consequence of the committee's own desire for secrecy, fostered by the realisation that its decisions can have political consequences far beyond their direct implication to banks.

For example, at this week's meeting ICERC is scheduled to discuss Argentina, in arrears of more than $1bn (£570m) to commercial banks dating back to April, which is trying to put together a package of new financing from creditors.

If ICERC were to force banks to write off a portion of their Argentine exposure, the likelihood of bank participation in the financing – difficult enough to put together anyway – would be much reduced.

If the Argentine Government failed to extract finance from foreign creditors, some in Washington argue that this could bury the ruling Radical Party at the Argentine presidential elections, to be held next May.

Most bet that, partly for this reason, Argentina will be downgraded by ICERC to "sub-standard", a classification that will not necessitate compulsory write-downs.

The regulators agree that the boundaries between the various categories are fuzzy, but argue that they should be. "We're dealing with real-life situations here, not some kind of academic exercise," said one of them.

ICERC was established in February 1979 to resolve the inconsistencies in the treatment of loans by different supervisors. Formalised by legislation in 1983, it meets three times a year, in March, June and October.

On it sit three representatives each of the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Federal Reserve.

The chairmanship rotates – the current chairman is Mr Leon Tarrant of the OCC – and decisions are made on a simple majority vote.

Although it is an issue on which the regulators will not comment, the FDIC representatives are reputed to take the "hawkish" line, as would be expected from the insurance agency, and the Fed the softest.

The committee is rarely publicly criticised by bankers, although it was regarded by some as too quick in downgrading Polish debt a few years ago. Generally, it views itself as a follower rather than a leader, there to corral the stragglers. If it makes a decision which means banks writing down debts, most banks will probably already have done so.

However, it does not escape criticism from Congressmen who believe it to be too soft on the banks. A report from the General Accounting Office assailed it for, among other things, not paying enough regard to the secondary market in Third World debt, where loans often trade at a much deeper discount to face value than implied by ICERC's directives.

Most regulators do not have much time for that argument. Market volume is low and prices, driven by a multitude of special factors, such as the availability of debt-to-equity swaps, are not representative of the value of the loans.

At a typical meeting, 15 to 18 countries are on the agenda. The categories start with strong, moderately strong and weak, all of which imply no imminent debt service problems.

The next grade down, known as Otrip (Other Transfer Risk Problems), is reserved for loans for which debt service problems appear imminent, or which are moving up from a lower grade.

Below that, when among other things there are arrears and there are no International Monetary Fund loans or other economic programmes in place, loans are classified as sub-standard, but still no reserves are required. Only in the classification below that – Value Impaired – is the provision of what are called Allocated Transfer Risk Reserves required.

Usually, a reserve of 10 per cent is required at first, and if the position has worsened subsequently, that will be increased by a further 15 per cent after one year, and more thereafter.

When reserves are increased to 100 per cent, the loans are described as a loss: an unbankable asset. Around a dozen countries are defined as sub-standard, eight thought to include Peru, Zaire, Sudan and Poland are value-impaired, and one – thought to be Nicaragua – is defined as a loss.

Opting-out threat to thrifts fund

By Roderick Oram in New York

THE troubled US government insurance fund that is virtually the sole source of money for bailing out insolvent savings and loan associations has come under further strain with the announcement that one of the largest healthy thrifts in the country wants to opt out.

Great Western Financial said it wanted to switch to the commercial banks' insurance fund, which is financially stronger and charges far lower premiums. The California company's Great Western Bank thrift operation is the second largest healthy institution in the industry.

A wholesale migration of some 1,200 solvent institutions would hasten the end of regulators' hopes of resolving the thrift crisis without a direct infusion of taxpayers' money. Most observers already believe such help is inevitable.

Healthy thrifts complain bitterly that the FSLIC's high premiums, levied to help bail out the 500 insolvent thrifts, make them less competitive against institutions in other consumer saving and finance sectors.

Loan package for Argentina expected

By Stephen Fidler, Euromarkets Correspondent

THE board of the World Bank was yesterday scheduled to give formal approval to $1.232bn in loans for Argentina, the largest loan package ever approved by the bank in one session for a single country.

The meeting was taking place as an international Monetary Fund team was in talks in Buenos Aires over a standby financing programme. An IMF official was present at the Bank meeting yesterday.

A row over the loans blew up at the IMF-World Bank annual meeting in West Berlin last month, when the bank was accused of pre-empting the fund, traditionally the leading institution in working out packages for indebted countries, in proposing the loans.

There is also scepticism that Argentina, which has a poor record in meeting loans from the institutions, will be able to meet the terms and conditions of the loans.

The financing comprises $700m in two fast-disbursing sector loans, of which only $150m will be disbursed immediately under a trade sector reform loan, and a further $552m in project and investment finance. A $300m housing project loan will be disbursed over five years and a $252m power sector investment loan over two years.

A further $150m of the trade loan and $200m of a banking sector reform loan will be disbursed in January, but only after certain economic conditions have been met. By this time, officials hope an IMF programme can be in place, which they believe will offer further support for the credit.

The bank is stressing that it considers the fund's participation critical in the resolution of Argentina's problems.

US trade terms improve

By Anthony Harris in Washington

US TERMS of trade improved by 3.1 per cent in the third quarter of 1988, according to figures released by the Bureau of Labour Statistics yesterday.

Import prices fell by 1.1 per cent, thanks to a combination of a strong dollar and weak oil prices, while export prices rose 2 per cent, almost entirely as a result of the impact of the US drought on world food prices.

The fall in import prices reversed the trend of the previous three quarters, bringing the 12-month increase down to 4.1 per cent. Export prices rose by 8.7 per cent in the year, with food, at 36.9 per cent, crude materials (18.5 per cent) and chemicals (16 per cent) mainly responsible.

These figures suggest the recent sluggish growth of US exports is due more to capacity limitations in the most successful industries than to the impact of the dollar recovery.

● Commerce Department figures for personal income and outlays in September show that real incomes were unchanged, and real expenditures fell by 0.5 per cent.

Snags for Brazil social pact

By Ivo Dawnay in São Paulo

CONFLICTS over public sector pay are proving a big obstacle to the Brazilian Government's efforts to cut its deficit and find agreement on an anti-inflationary "social pact" with employers and unions.

On Wednesday, Mr Luis Antonio Medeiros, the moderate São Paulo metalworkers' leader, said he would join the socialist union confederation, CUT, and boycott pay talks if Brasília did not meet striking civil servants' demands.

Twenty-four hours earlier, President José Sarney had ordered a tough crackdown against the strikers, telling ministers in 17 affected departments to dock pay, break up pickets and sack those in breach of regulation.

Workers' representatives are also proving tough negotiators in the initial talks on a tripartite social pact. A union leader has flatly ruled out a proposal to apply an across-the-board reduction to next month's inflation-indexed monthly increases to pay and prices.

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WORLD TRADE NEWS

Ferranti in joint avionics project with Aeritalia

By John Wyles in Rome

ANGLO-ITALIAN electronics collaboration moved into the defence systems sector yesterday with the announcement of a development and manufacturing link between two consortia headed by Aeritalia, Italy's leading aerospace manufacturer, and Ferranti International Signal, the Anglo-American electronic systems maker.

The agreement clears the way for Italian participation in the Thermal Imaging Airborne Laser Designator (TIALD) project, an infrared system for target identification and tracking and laser guidance developed by Ferranti with GEC Sensors and British Aerospace.

The British consortia recently fought off US and French competition to win an order for TIALD pods to be fitted to some of the RAF's Tornado fleet. Ferranti hopes the Italian tie will open marketing opportunities in parts of the Middle East and Latin America as well as establishing TIALD as a front-runner for an order from the Italian Air Force.

The Ministry of Defence in Rome is expected to state its requirement early next year for a system to be fitted to the new AM-X ground attack aircraft, due to come into operation shortly.

The consortium headed by Aeritalia also includes Breda Meccanica Bresciana, a specialist in laser-guided weapons, and Officine Galileo, which works with optical systems. All three companies are publicly owned; Aeritalia being part of the Iri group and the other two are controlled by Efim.

Yesterday's announcement forms part of a broader Anglo-Italian electronics collaboration effort which is in the making following a framework agreement signed between Aeritalia and Ferranti at the end of last year. The two companies have since set up a 50-50 joint venture, Elettronica Aerospaziale Europeo, to be based in Italy, as a vehicle for developing avionics products.

Daimler to make heavy trucks in China

By Kevin Done, Motor Industry Correspondent

DAIMLER-BENZ of West Germany, the world's leading truck maker, is to begin producing heavy trucks in China in the first half of 1990 as a result of its breakthrough licensing agreement with North Industries Corporation (Norinco), the Chinese engineering group.

The trucks will be produced at an existing Norinco plant in Baotou in Inner Mongolia, in a range of 16 to 38 tonnes gross vehicle weight. The local workforce will total around 1,200.

The vehicles, which will be sold under the Norinco name, will be equipped with locally produced Deutz diesel engines and ZF gearboxes.

The first vehicles will be assembled from semi-knockdown kits supplied from Daimler-Benz's West German truck plant. These will gradually be replaced by completely knockdown kits and then finally by increasing local production of components, leading to a local content of over 90 per cent.

After six years output at the Baotou plant is scheduled to reach 6,000 units a year.

Apart from supplying components, Daimler-Benz is to give technical support to the project. A West German engineering team will be at the plant and Daimler-Benz is to provide an apprentice training school.

The truck licensing deal with Norinco follows four years of negotiations.

Daimler-Benz says the Chinese market for commercial vehicles above two tonnes is around 350,000 units a year, but could rise to 600,000 in the medium term.

Demand for commercial vehicles is now met mainly by locally-made vehicles, with only specialist units imported.

Daimler-Benz said the technology transfer agreement with Norinco would let it increase its presence in the Chinese market while reducing its dependence on fluctuating import opportunities.

It said the licensing agreement was a further step in its strategy of seeking to establish local assembly or production in markets largely closed to imports of built-up vehicles.

In the Far East, it has a long-established production facility in Indonesia and is trying to improve its presence in India by expanding its co-operation with Telco (Tata Engineering and Locomotive Company), in which it owns a minority stake. It is forming a joint venture with Mitsubishi for sales and marketing of its commercial vehicles in Japan.

Since the end of 1987 a limited number of Mercedes-Benz cars is also being assembled in China by the First Automobile Works (FAW) in Changchun for use chiefly by high party officials and the hotel trade.

The company has also opened discussions with FAW about the limited assembly of its 200-300 series and about modernising FAW's flagship Chinese car, the Red Flag (Hong Qi), with a V8 engine.

Experts to study four-wheel-drive vehicle safety

AN INTERNATIONAL group of vehicle experts is to meet next month to examine a controversy over the safety of light four-wheel-drive vehicles, at the request of the United Nations' Economic Commission for Europe (ECE), writes John Griffiths.

The move follows allegations in the UK and North America that such vehicles roll over too easily. This is denied by their mainly Japanese manufacturers, some of which have seen their sales badly affected by the furore.

The ECE's Working Party 29, of which most vehicle manufacturing nations are members, decided at a meeting in Geneva to refer the issue to the experts.

It also decided to ask each member country in the meantime to examine its accident statistics for clues to the extent of the problem, or to whether one even exists.

The underlying objective of all the discussions is to decide whether an internationally-agreed set of mandatory stability standards should be drawn up for all such vehicles.

The ECE meeting came at the instigation of the UK's Department of Transport, which halted its own tests of a selection of the vehicles when a Daihatsu Fourtrak rolled over during them. The department had been investigating complaints by the Consumers' Association about a similar but smaller vehicle, the Suzuki SJ 41.

UK sales of the Suzuki model have halved since the controversy, which began in the spring with a demand by a US consumer group for the recall of the American version of the SJ 410, called the Samurai.

Federal safety authorities refused the demand on the grounds that the Suzuki was no more likely to roll over than similar domestically-made vehicles.

The controversy comes at a time when the popularity of leisure-type four-wheel-drives had been booming throughout Europe, with sales of more than 200,000 units last year.

Both Suzuki and Daihatsu have just launched new vehicles into the sector - the Viara and Feroza/Sportrak respectively.

Toyota pondering European strategy

By Guy de Jonquières in Tokyo

TOYOTA, Japan's largest motor vehicle manufacturer, is considering alternatives to building a car assembly plant in Europe after encountering strong resistance from the European motor industry.

Mr Tsutomu Ohshima, Toyota's executive vice president, said yesterday the alternatives included building a European plant, possibly in partnership with a European company, to supply engines or components to other motor manufacturers.

He said Toyota now accepted European objections that building another car assembly plant would aggravate the existing problem of excess capacity. He also said efforts were under way in Europe to write unspecified new rules which would prevent the construction of such a plant.

"Europeans are reluctant to welcome the Japanese," he said. "The sentiment seems to be rather deep-rooted." Describing Europe as "the problem of foremost importance" to Toyota, Mr Ohshima indicated that the company's thinking on its future plans had also been influenced by the dispute over France's resistance to exports of cars made by Nissan at a plant in northern England.

France claims the cars are not EC products because they contain less than 80 per cent local content. Mr Ohshima said unilateral attempts by a European country to impose local content requirements were "absurd", and that until the issue was clarified Toyota would find it hard to decide on its strategy for Europe.

He said that while any investment by Toyota in Europe must be profitable, the company also wanted to help revitalise the European motor industry. "By no means can we just intervene in the market without paying attention to other factors in the environment," he said.

One possibility would be to build a plant to supply engines to smaller manufacturers which could not afford to develop their own power units. Such a plant could also export its output, he said.

Toyota, he went on, favoured a joint venture with a European partner, which could involve either building a new greenfield plant or using an existing facility.

Mr Ohshima said Toyota had rejected a European Commission request this year that the company commit itself formally to freezing its exports to the EC until 1992. However, the company was prepared to ensure that export growth was "gentlemanly and orderly."

Moscow may set up export credit agency

By Peter Montagnon, World Trade Editor

THE SOVIET UNION has discreetly sought the advice of Britain's Export Credits Guarantee Department about the possibility of setting up its own official export credit agency.

Though it is still some way from a decision to create such an agency, bankers believe the Soviet soundings over the past month provide further evidence of Moscow's determination to modernise its economy and introduce a more Western-style foreign trade regime.

They were started at the initiative of Mr V N Kulikov, first deputy chairman of Gosbank, the Soviet state bank, which has also consulted the Bank of England and the Treasury over banking regulation and supervision arrangements which the Soviet Union will need to put in place as it decentralises its domestic banking system.

Consideration now being given in Moscow to creating an export credit agency follows recognition of the fact that Soviet enterprises will have to offer more credit if they are to step up their export sales.

However, few Soviet enterprises have the expertise in credit analysis to manage such credits safely or to ensure they are offered on competitive terms.

Moreover, with Soviet enterprises now expected to stand on their own feet financially, there is a danger that some might run into difficulties if they could not obtain compensation for credits which were not serviced.

Bankers say these arguments speak in favour of a system of credit insurance along the lines already established in most Western countries, something which has not been necessary until now, given the centralised Soviet system of trade and foreign exchange management.

Both the Soviet Bank for Foreign Economic Affairs and its Committee for Foreign Economic Co-operation have extended trade credits in the past, but these have generally been on exceptionally favourable terms which are more akin to aid finance than conventional export credits.

The Soviet Union is thought to have sought the advice of the ECGD because it is one of the oldest export credit agencies, with a history going back to 1919. Ironically one of the first beneficiaries of ECGD-guaranteed finance was the Soviet Union itself.

Brazil says US sanctions breach standstill deal

By William Dullforce in Geneva

BRAZIL CHARGED yesterday that by imposing sanctions on Brazilian imports in a dispute over pharmaceutical patents, the US had broken its standstill commitment under the Uruguay Round.

President Reagan's spokesman had acknowledged the link between the US action and the administration's attempt to secure an agreement on intellectual property rights in the round, Mr Rubens Ricupero, the Brazilian ambassador to the General Agreement on Tariffs and Trade, said.

He was speaking to the surveillance body which monitors compliance with the standstill undertaking given by trade ministers at the launch of the Uruguay Round in 1986.

Governments pledged not to introduce new restrictive trade measures or measures designed to improve their negotiating positions during the round.

Last week Mr Clayton Yeutter, the US Trade Representative, imposed 100 per cent tariffs valued at \$39m (£22m) a year on imports of some Brazilian drugs, electronic items and paper products.

Washington's action was in retaliation for Brazil's alleged refusal to provide patent protection to US pharmaceutical and fine chemicals companies.

India, Egypt and several Latin American countries yesterday backed Brazil's charge that the US was using unilateral action against a developing country to secure its objectives in the Uruguay Round.

A spokesman for the European Community voiced concern about a "possible" breach of the standstill commitment by the US.

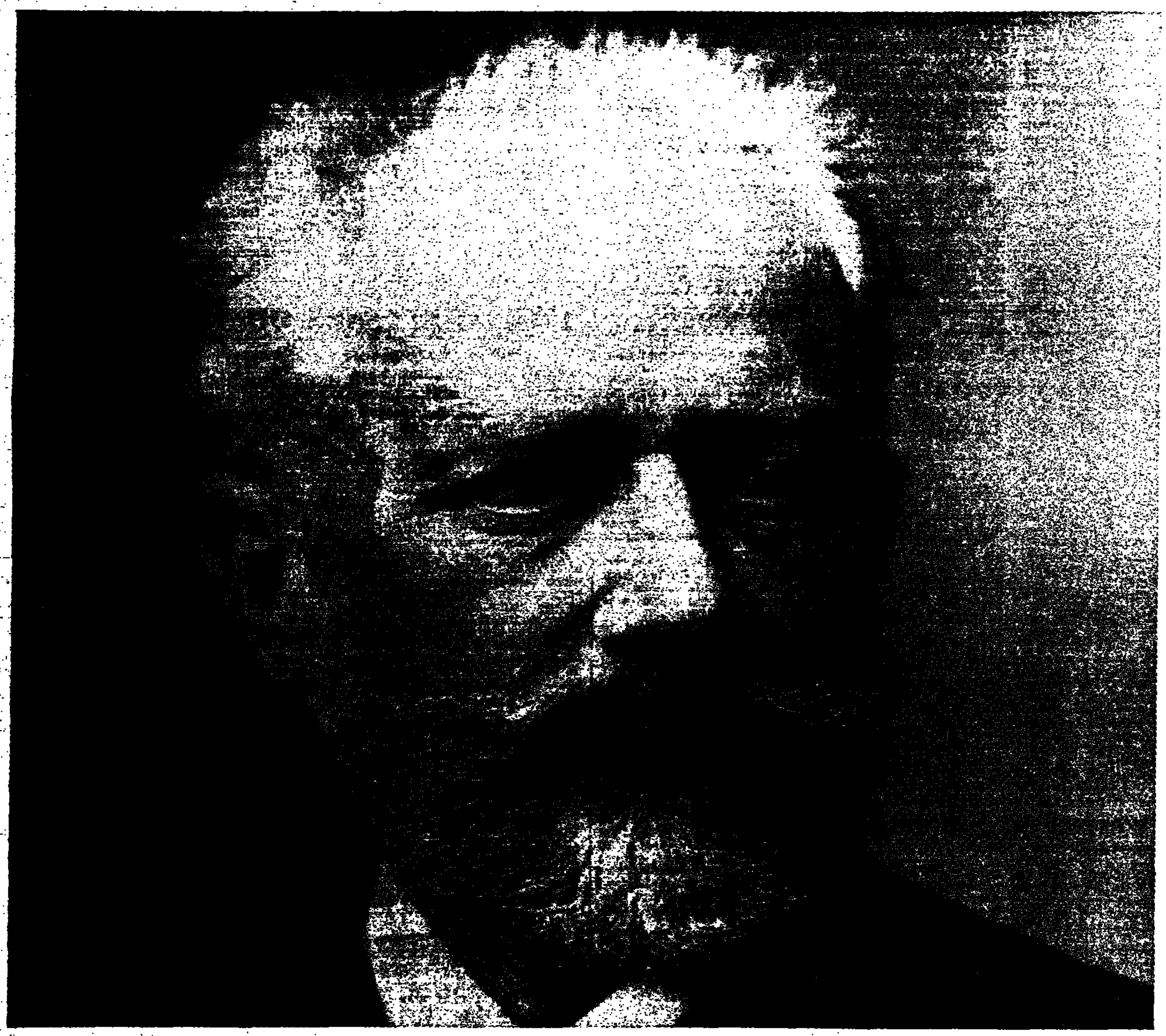
He added, however, that it would be difficult to find a stronger argument than the US-Brazil dispute for the need to elaborate a framework agreement on intellectual property rights under Gatt.

Boost for small-scale Israeli exporters

ISRAEL's small exporters, often overlooked in the country's export drive, were given a welcome boost this week by Bank Hapoalim, the leading Israeli bank, with the launch of an annual export award scheme, Andrew Whitley writes from Tel Aviv.

At a presentation ceremony in Tel Aviv, Professor Eitan Berglas, chairman of Hapoalim's board and a prominent economist, called on the Government to give small companies more help. He said that last year 179 Israeli companies had achieved exports of between \$1m and \$5m.

Among the six winners of the first set of export promotion awards were two kibbutz-based industries: a polypropylene stretch film manufacturer on a religious kibbutz in the Negev desert, Syfan, and a vegetarian frozen food company, Tivall.



Zhao sees risks from inflation as threat to party

By Peter Ellingsen in Peking and Robin Pauley, Asia Editor, in London

ZHAO ZIYANG, the Chinese Communist Party leader, has acknowledged the huge political and social risks posed by rampant inflation in the country and admitted the party's ability to rule will be judged by whether it can control inflation next year.

He also warned that if widespread corruption among party and government officials did not stop the party would lose the support of the people.

In the most frank explanation yet of China's sudden decision to slow economic reform Zhao all but admitted his prized price reform was undermining party control. With the country all too painfully aware that inflation is running close to 30 per cent, he told senior cadres: "If the rate goes above the two digit figure, economic and social stability will be affected."

Zhao: corruption warning

His comments were made in a private speech to the third plenum of the 13th central committee in Peking late last month and have only now been published. The meeting took place in a crisis atmosphere following a tussle in the summer between economic reformers led by Zhao and conservatives led by Li Peng, the Prime Minister.

Zhao was ultimately forced to abandon some of his economic reforms and slow down on the others, largely in the face of arguments that inflation could bring the party down. Chinese political leaders are exceptionally sensitive to inflation as that was what ultimately brought down the Nationalist government and enabled the communist revolution to succeed in 1949. The monthly inflation figures in China since June have all been the highest since 1949.

Zhao, China's most senior leader after Deng Xiaoping, optimistically predicted in his speech that price rises would be less than 10 per cent next year. He outlined a revised reform program that included "eliminating egalitarianism" in wages so that underpaid doctors, teachers and scientists can be given wage rises, and said the rationalisation of China's confusing two-tiered pricing structure depended on curbing demand.

In an attempt to dampen reports about the top-level split over the speed of economic reform, Zhao called for "unified leadership and order" in carrying out the next five-year plan.

Zhao said it was impossible to abandon the current dual system in which some prices are fixed while others float, until a majority of goods were in surplus. The state would retain clamps on sensitive services in short supply such as transport, communications and power. Key rural commodities such as grain and oil-seed crops, and coal, crude oil and steel would also stay under priced-controlled state monopoly.

The aim, he said, was to halt the fall in living standards that occurred as the economy boomed and staples became scarce and expensive.

Attention would also shift to reforming enterprises by providing greater autonomy for managers and allowing inefficient companies to go to the wall. "In the future the state will not . . . subsidise their losses," he said.

South African whites step back from extreme right

Anthony Robinson reports that the Conservative Party failed to break out of its Afrikaner heartland

SOUTH AFRICA'S white electorate looked over the parapet at the prospect of racial conflict offered by the policies of the right-wing Conservative Party at this week's municipal elections – and, at least outside Transvaal, retreated to a safe distance.

The overwhelming majority of black voters boycotted the polls entirely – but the fact that elections were held at all in black areas which were in open revolt three years ago is being interpreted by Pretoria as a victory of sorts.

If that is the broad-brush picture which emerges from Wednesday's first ever nationwide segregated municipal elections, a closer examination reveals some fascinating cross currents and pointers to the future.

The most important conclusion to be drawn from the white elections is confirmation that the CP does not have national appeal and is essentially a right-wing Afrikaner tribal party.

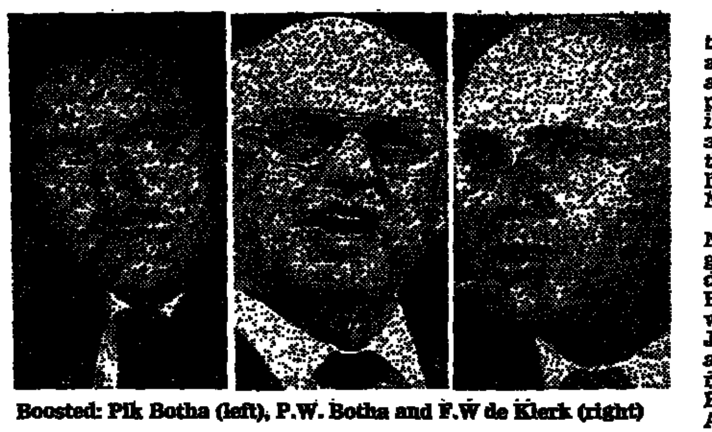
It is not an unstoppable steamroller able to crush the NP nationally by picking up massive support in the Cape, or Natal or the big cities. On the contrary these "grass roots elections" run like a general election have shown that the CP's appeal to date is still concentrated mainly in the small rural dorps of the northern Transvaal platteland (and the Orange Free State and Karoo equivalents).

It also has strong support among blue collar families in the decaying industrial towns of high white and black unemployment east and west of Johannesburg. To judge by its strong showing in Pretoria it can also claim a still rising level of support among the bureaucrats of the Afrikaner-dominated state, including the police and the lower echelons of the armed forces. The party is clearly here to stay.

But the platteland represents South Africa's past. The future is being forged in the cities and here the ruling National Party has re-confirmed its position as the cautiously reformist centre (in the conservative South African context) of the country's political life.

But although it has won outright control of Johannesburg for the first time, retained control of Pretoria and dominates both Pietermaritzburg, the Natal provincial capital and Bloemfontein, the Orange Free state capital, it will not have an easy task running local affairs.

In Pretoria, where the CP failed to win any of the nine parliamentary seats in last May's white general elections, the party increased its city council seats from eight to 19. This puts the CP only three seats behind the 22 retained by the NP and means that in the nation's capital the CP will be breathing down the ruling party's neck in the city council and preparing a springboard for the next general elections. These are due in March 1990 at the latest – barring a compromise in the tri-cameral parliament which would allow a postponement to 1992.



Boosted: Pik Botha (left), P.W. Botha and F.W de Klerk (right)

Meanwhile, in Johannesburg, far and away the most wealthy and dynamic city in Africa, the rather jaded bunch of local nationalist politicians who secured a narrow overall majority of 26 out of 51 seats on the City Council face a rejuvenated and energetic liberal Progressive Federal Party with 15 seats, and for the first time a small CP presence in the poorer white suburbs where inhabitants fear being turned into multi-racial "free settlement areas".

Hillbrow, the high-rise inner city suburb won for the NP from the PFP by Mr Rupert Korb, is likely to prove the toughest test of the new council's ability to introduce peacefully the Government's proposed legal "free settlement" areas for all races.

In Mr Korb's view everything hinges on the success of a shortly to be initiated "law and order" drive to stamp out prostitution, drug trafficking, illegal shebeens and the like and give people confidence that Hillbrow will not end up like a South African version of New York's South Bronx.

In personality terms the NP's success in Johannesburg gives a big boost to the presidential chances of Mr Pik Botha, the Foreign Minister, who is also the party leader in Johannesburg. Mr Botha is already basking in the reflected glory of President Botha's recent European and African tour.

Eclipsed three years ago after his injudicious comment about being prepared to serve under a black president in certain circumstances, he is probably the most popular NP politician among white voters and is seen as the most human white nationalist politician by many blacks.

Mr F.W. de Klerk, the Transvaal party leader, has also been saved by the CP's failure to sweep the Transvaal platteland and the NP's retention of both Pretoria and Vereeniging, Mr de Klerk's parliamentary constituency.

The overall election results, including the election of several hundred black, Coloured and Indian councils on a higher overall turnout than the 1983 black local elections, enables the Government to press on with its slow and cautious "reform" policies at a local and national level. Its main priorities now will be to strengthen the multi-racial Regional Service Councils and the co-option of recently elected black local councillors onto its proposed National Council.

The Council is designed to thrash out a new multi-racial power sharing constitution which will include blacks – but retain ultimate white control for the foreseeable future. All attempts so far to get this concept off the ground have foundered on the refusal of black leaders such as Zulu Chief Mangosuthu Buthelezi and others to participate while Mr Nelson Mandela and other black leaders and organisations remain in jail or banned.

The 64,000-dollar question at this point remains whether the election results will sufficiently embolden President Botha not only to release the ailing ANC leader, as expected within the next few months, but in such a way as to start a genuine process of negotiation with black leaders other than those elected with miniscule popular support at the latest elections.

S Korean trade surplus over target

By Maggie Ford in Seoul

SOUTH KOREA recorded its best monthly current account surplus this year in September, with a total of $1.4bn, bringing the 1988 surplus so far to $9.3bn, well above government forecasts.

The surplus rose sharply from the same month last year when it reached $1.1bn. For the first nine months of the year it showed a 37 per cent rise over the same period last year.

Strong exports in September produced a monthly trade surplus of $1.1bn compared with last year's total of $917m for the month. Income was also boosted by tourism and other revenues connected with the Seoul Olympic Games.

Total exports for the first nine months have reached $7.3bn compared with $5.3bn last year. Efforts by the Government and private sector to change the trade pattern are continuing to pay off.

The accumulated trade surplus with the US fell from $6.9bn last year to $6bn this year during the period, a 14 per cent drop.

South Korea expects to reduce its surplus with the US over the whole year from $9.8bn in 1987 to around $8bn this year, by switching import sources from Japan to the US and Europe and by exporting more goods to Japan.

A strong rise in exports to Japan has already occurred and the trade deficit is expected to be reduced to around $3.8bn from $5.2bn last year.

The appreciation of the won against the dollar has not yet apparently had a great effect on exports largely because South Korean companies have been able to absorb costs and keep prices down. It has, however, affected company profitability.

A US Treasury report this week criticised South Korea and Taiwan for "manipulating" their currencies to help exports, provoking criticism from Seoul officials. The won has appreciated by 12 per cent against the dollar in 1988 following an 8 per cent rise last year.

Indonesia makes sweeping reforms of banking sector

By John Murray Brown in Jakarta

INDONESIA announced banking reforms yesterday in a bid to improve its financial markets and mobilise domestic funds in the latest package of measures to stimulate the economy.

Mr Radius Prawiro, the Economics Co-ordinating Minister, said the changes add up to the most comprehensive restructuring of the sector since the mid-1960s, and cover foreign banks, capital markets and the monetary policy.

The reforms, which were broadly welcomed by businessmen yesterday, are expected to reduce banking costs to most lenders and borrowers and so improve business efficiency at a time when the Government is seeking to boost non-oil economic activity. The package also aims to raise government revenues at a time when the budget is under severe discipline, largely as a result of the depressed oil market.

Under the new regulations, foreign banks will for the first time be able to operate outside Jakarta, the Indonesian capital. The regulation is restricted to six leading provincial cities, and will allow the 11 existing foreign banks to set up branch offices and any new foreign banks to create joint ventures with local Indonesia banks.

On monetary policy, Bank Indonesia, the central bank, is to improve its swap facility, the hedge against currency movements. Swap maturities are to be raised from a maximum of six months to three years. The swap premium will now be calculated on Libor (London interbank offer rate) and prevailing domestic deposit rates.

Maturities on both the SBI and SBPU – the short term monetary instruments used to manage the money supply – have also been extended from seven days to 180 days.

Banks' reserve requirements are to be eased from 15 per cent of deposits to just 2 per cent. Mr Adrianus Mooy, the BI governor, said yesterday, "the idea is to minimise the cost of funds and reduce the spread between lending and deposit rates".

In another important move, public enterprises which currently hold funds at state banks are to be free to utilise the foreign and private banks.

Reforms to the stock market are calculated to attract more listings, and so provide business new sources of long-term funds to reduce the currently damagingly high levels of gearing. Of these, a more equitable tax treatment for bank deposit holders is expected to redirect funds to the bourse where share dividends are already taxed. Tax on deposit interest is to be charged at 15 per cent.

Tokyo presses on with tax bill in spite of scandal

By Ian Rodger in Tokyo

JAPAN'S ruling Liberal Democratic Party yesterday bulldozed a schedule for public hearings on its controversial tax reform plan through a parliamentary committee despite angry protests from opposition politicians.

The move was apparently designed to show that the party was determined to forge on with tax reform despite the widening repercussions of the Recruit financial scandal.

However, political analysts in Tokyo said the scandal – in which several politicians and businessmen, including aides to the Prime Minister and other ministers, made huge profits after buying shares of a small property company, Recruit Cosmos, in advance of its public flotation two years ago – appeared to be deepening.

Yesterday, Mr Kiichi Miyazawa, the deputy Prime Minister and Finance Minister, was once again called on to explain in the Diet (parliament) how his name came to appear on a list of those who received Recruit Cosmos shares. So far, Mr Miyazawa, who leads the third largest faction in the LDP, is the only senior politician whose own name has appeared on a list and, because of it, there have been calls for his resignation.

He has claimed that a friend of one of his aides used his name to buy the shares and that he himself had nothing to do with it. The opposition parties demanded that the aide and his friend be obliged to testify in the Diet but the LDP refused, offering instead to have Mr Miyazawa explain the situation in more detail.

Yesterday, Mr Miyazawa, who, in the view of some analysts, was fighting for his political life, merely repeated the same explanation. The reaction among his own colleagues was not yet clear last night, but opposition leaders were dissatisfied, and repeated their demands that the Miyazawa aide and his friend testify in the Diet. Mrs Takako Doi, leader of the Japan Socialist Party, the largest opposition party, said the JSP would continue to stand firm against the tax reform and would continue to demand a full investigation of the Recruit affair.

Miyazawa: 'friend of aide'

Meanwhile, an opposition politician, Mr Keishu Tanaka of the Democratic Socialist Party, admitted that he had been among those that had bought shares in Recruit Cosmos and apologised publicly for it. Other admissions are expected following the news yesterday that the Tokyo Public Prosecutor's office had obtained a list of all Recruit Cosmos shareholders.

The public prosecutor has been investigating allegations that in August Recruit Cosmos tried to induce an opposition politician through bribery to moderate his investigation of the share distribution scandal. Officials from the prosecutor's office said yesterday that several key documents were missing from files taken by them from Recruit offices last week.

Following yesterday's vote, the LDP plans to hold public hearings on its six tax reform bills next Friday. If it succeeds in holding the hearings, it would then be able to bring the bills to a vote in the two Diet chambers.

Manila to negotiate IMF 'cornerstone' credit deal

By Richard Gourlay in Manila

AN INTERNATIONAL Monetary Fund credit facility, to be negotiated in Manila from November 2, will form the "cornerstone" for new commercial bank loans and increased official aid, Mr Jose Fernandez, the Central Bank governor, said yesterday.

The Philippines will request between $600m and $800m for a two-year facility that will require the country to follow similar economic reforms to those laid out in a stand-by credit that expired in August.

Mr Fernandez also said the Philippines will need less new money from commercial creditor banks following the recent agreement with Washington on the next two years' US use of military bases.

The Philippines asked its bankers for $1.6bn in new money over two years earlier this month, but did not include the $320m hard cash component of the bases agreement that has since been agreed.

The commercial banks asked the Philippines team to study Brazil's creditor banks to see what debt reduction schemes might help the Philippines cut its $28.9bn debt, Mr Fernandez said. The Brazilian deal includes $5.2bn of new money, restructuring of $62bn and schemes which bankers say can help cut $19bn of debt over five years.

"Brazil's deal recognises the reality that the structure of banks is no longer monolithic in their approach to debt," Mr Fernandez said. "The old fashioned compulsory, involuntary lending no longer works."

Modest Bank of Japan intervention fails to buoy dollar

By Stefan Wagstyl in Tokyo

A MODEST effort by the Japanese authorities to support the dollar – its first intervention in six months – yesterday failed to dispel a strongly-held belief in Tokyo that the US currency could fall further.

The Bank of Japan bought an estimated $10m to stem a decline in the dollar following the release of data on Wednesday which showed a slowdown in US economic growth.

Soon afterwards, Mr Satoshi Sumita, governor of the central bank, and Mr Kiichi Miyazawa, the Japanese Finance Minister, tried to rally support for the dollar with strongly-worded statements.

But neither these statements nor the central bank's intervention had much effect on the market. The dollar, which had opened at Y125.95, responded by rising temporarily above Y126, but it later fell to close at Y125.9.

Traders said that the small scale of the central bank's intervention indicated that Japan had no real intention of driving the dollar up. Even though it denies it, the Bank of Japan is widely thought to consider that a further decline in the dollar is likely.

In his public statements Mr Sumita said there was little possibility that the yen would begin to appreciate sharply. Mr Miyazawa said the authorities were ready to counter any overly erratic movements in the currency market.

Mr Miyazawa also stated that the market should now stabilise itself after its initial reaction to figures published in the US on Wednesday. These showed that the real annualised rate of economic growth fell in the third quarter of 1988 to 2.2 per cent from 3 per cent in the second.

Even as the dollar rose in the wake of the June summit in Toronto of G5 and G7 industrialised countries, there was a widespread feeling in Tokyo that the ascent to the mid-Y130 range might be temporary.

Mr Yukuo Takahashi, foreign exchange manager at Chemical Bank in Tokyo, said that before Wednesday's economic data was announced he had thought Y126 was the lowest the dollar might fall in the next month or two. Now it could test Y125, he said.

Japan's industrial production index in September rose 0.4 per cent from August to 114.8, according to the Ministry of International Trade and Industry, Michiyo Nakamoto reports from Tokyo. Although this marks the second consecutive increase for the index, which represents the mining and manufacturing industries, the rise was smaller than the revised 2.7 per cent growth registered in August. The index for September also rose for the second consecutive month to 114.8. The 0.3 per cent increase, however, was again less than the 2.0 per cent rise in August. The increase in production and shipment stemmed largely from strong demand both at home and abroad for cars and other vehicles, and by steady domestic demand for consumer goods.

EC warned on Ethiopia aid

By Stephanie Gray

ALL ECONOMIC aid to Ethiopia, including that from the European Community, is used to bolster the country's military institutions, Mr Issayas Afeworki, secretary-general of the Eritrean People's Liberation Front, claimed in London yesterday.

Mr Afeworki, speaking at the Royal Institute for International Affairs, maintained that any economic aid was being channelled into the war against Eritrea – an autonomous region annexed by Addis Ababa in 1962. EC aid to the Soviet-backed Ethiopian regime amounted to about $100m a year.

He said that although prospects for an end to the 27-year-old war were better than ever because of reduced tension between the two super powers there was no sign yet that Moscow was putting pressure on Col Mengistu Haile Mariam, the Ethiopian leader, to wind down the war.

Israel's secular right stands to take votes from Likud

Andrew Whitley reports on how emergence of parties on the extreme right has changed prospects for coalition building

THERE ARE not many predictions about next Tuesday's general election in Israel that can be made with confidence. But one near certainty is that the extreme right will make considerable strides, emerging for the first time as a powerful political bloc whose siren tune Mr Yitzhak Shamir's Likud party will be unable to ignore.

The proscription by the Supreme Court last week of Rabbi Meir Kahane's extremist Kach party will reduce the dimensions of this emerging force. But the three other extreme-right parties in the field – Tehiya, Tzomet and Moledet – should between them command another 10 or 11 seats, double their previous representation in the Knesset, or parliament.

Unsurprisingly, what has boosted their prospects is the Palestinian uprising in the West Bank and Gaza Strip. First-time voters in the 18-21 age bracket, nearly all of whom are now either serving in the army or have friends in uniform, are overwhelmingly more hawkish than their parents' generation.

Apart from Kach, the new parties holding particular appeal for the young are those headed by two retired army generals, Gen Rafael "Raful" Eitan of Tzomet and Gen Rehavem "Gandhi" Ze'evi of Moledet, the Homeland party. Both are open advocates of the expulsion of some or all of the 1.5m Palestinians living in the occupied territories to other Arab countries as the only solution to Israel's dilemma.

In the face of this offensive from the extreme right, political scientists agree that Likud will be doing well if it can simply hold on to the same number of Knesset seats as it won at the last elections.

Israeli Elections

Notwithstanding the optimism being exuded by Mr Moshe Arens, the party's campaign organiser, latest opinion polls suggest that Likud may be cut back to only 39 or 40 of the parliament's 120 seats: down from 41 in 1984 and the peak of 48 seats it achieved under Mr Menachem Begin, its charismatic founder, in 1981.

The significance of this projection is that, to be able to form a narrow coalition government of the right, Prime Minister Shamir will need to garner the support of both the small religious parties and the secular ultra-nationalists to his right. The latter he can rely on; but the religious parties have traditionally swung behind whichever of the two main parties – Likud or Labour – have been prepared to pay a higher price for their support.

"It's not in the religious parties' interests to remain in opposition," says Professor Yohanan Peres of Tel Aviv University, pointing to their dependency on Treasury funds for theological institutes and their concern to influence legislation over social and religious issues from inside the government.

"Unfortunately, the religious parties cannot survive for long outside a coalition," opined Mr Lova Eliav, a leading Labour politician. "They know where the power is and they will eventually come round."

In the 1970s, the religious bloc – long allied with Labour – moved to the right, particularly over the issue of the occupied territories. "God promised us this land and no government can return the land," is the biblical view of that 15 per cent of the Jewish population who describe themselves as "observant".

But in this election, the religious vote will be split between five competing parties: two mainstream – the National Religious Party and a more moderate breakaway, Meimad – and three ultra-orthodox parties. Labour, trying hard in this campaign to show that it is not anti-religious, is betting heavily on being able to split the fractured religious bloc and woo over three or four extra supporters in the Knesset.

Likud likes to define itself these days as "the national camp", suggesting both that it is more nationalist than its main rival, Labour, and that it has captured the political middle ground.

But Likud has itself been suffering a slow haemorrhage of support over the past seven years to the secular right; to former comrades-in-arms such as Mrs Geula Cohen, a Tehiya firebrand, who feel the historical cause of Revisionist Zionism once represented by the Likud alone has been betrayed by "treacherous acts" such as the 1978 Camp David agreement with Egypt.

As the pollsters constantly note, there are very few "cross-over" voters on the Israeli political map – split diametrically down the middle into entrenched right and left-wing camps. What Likud politicians such as Mr Arens fear is not that their natural voters will switch to Labour, but that his party's bargaining power when it comes to forming a government will be reduced by the scattering of the right-wing vote across this end of the spectrum.

In other words, after November 1 Likud will be grateful for any extra political ally it can muster.

Before then it must strain every muscle to expand its own size. Anything less than 40 seats could, mathematically, force it back into a grand coalition with Labour. Who would lead such a government would then become the real sticking point, as both Mr Shamir, and Mr Shimon Peres, Labour's leader, say they have no intention of serving under the other again after the frustrating experience of the last four years. They may be forced to eat their words.

Polls rank Likud and Labour even

With four days to go before polling takes place, little appears to be separating Israel's left and right-wing political blocs in terms of voter preference, Andrew Whitley reports. Polls continue to give the Labour Alignment a slight edge over Likud, but the balance between the two is evened out when each side's smaller allies are included.

Faced with the projected growth on each political wing of the leftist Citizens Rights Movement and the ultra-nationalist Tehiya party, the main parties' television campaigns have in recent days begun to lay heavy emphasis on the "wasted vote" argument familiar to British voters.

According to the election committee, 2.89m Israelis are eligible to vote this year. The turn-out is expected to be as heavy as usual, probably in excess of 75 per cent of the electorate.

"WATCH YOUR B*O*DY LANGUAGE."

Playing host each year to 36 million people from all over the world is no easy task. Here, noted manwatcher Desmond Morris treats us to a light-hearted look at some of the deadly, but unintentional, gaffes that can so easily occur when cultures collide at Heathrow, the world's premier international airport. To find out more about the eye-pull, the ear-tug, and the celebrated Greek 'moutza,' now read on....

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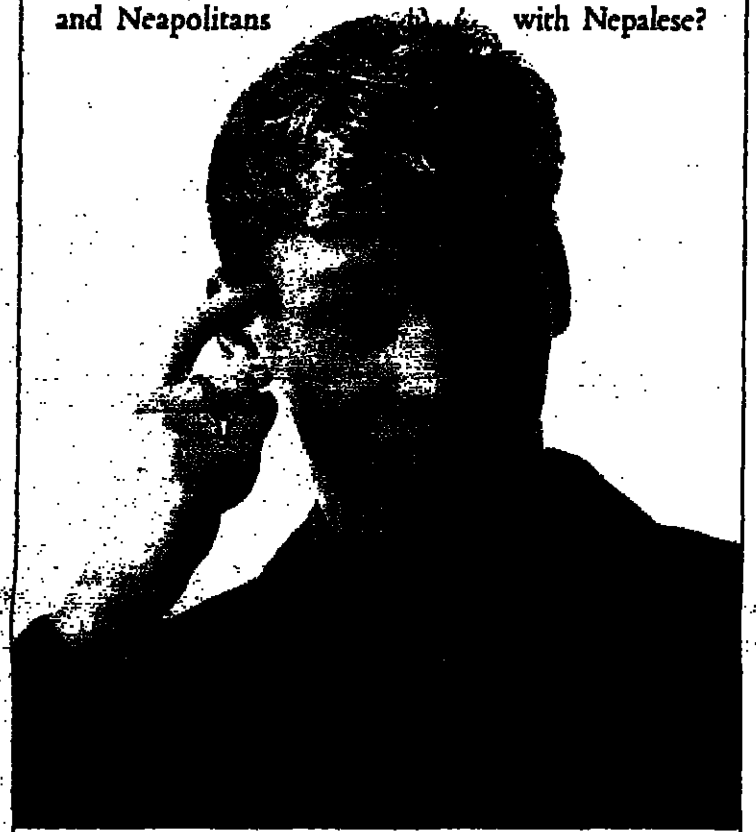
Day and night they pour in, a cast of 36 million a year from every corner of the globe.

Where else but Heathrow could you hope to see Brazilians rubbing shoulders with Brahmins, Poles with Polynesians, Madagascans with Minnesotans and Neapolitans with Nepalese?



Intelligence or stupidity? It depends whether you're Dutch.

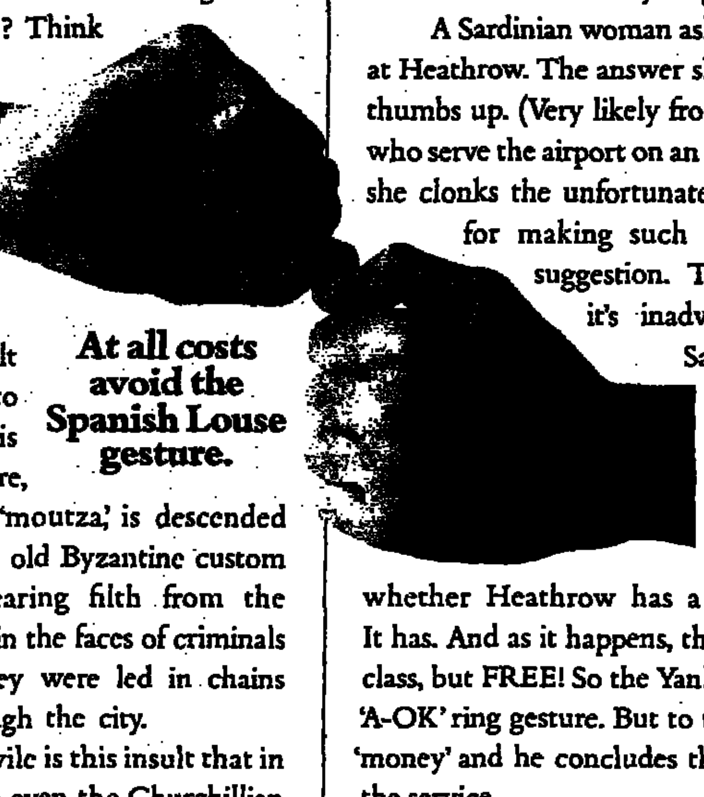
Each nationality has its own language of posture and gesture. But since these body-lingos are often mutually incomprehensible, an innocent gesture made in an airport lounge may well be an unwitting insult.

Something in your eye? Think before you touch the lower lid. If a Saudi sees you, he'll think you're calling him stupid, but a South American senorita will think you're making a pass at her.

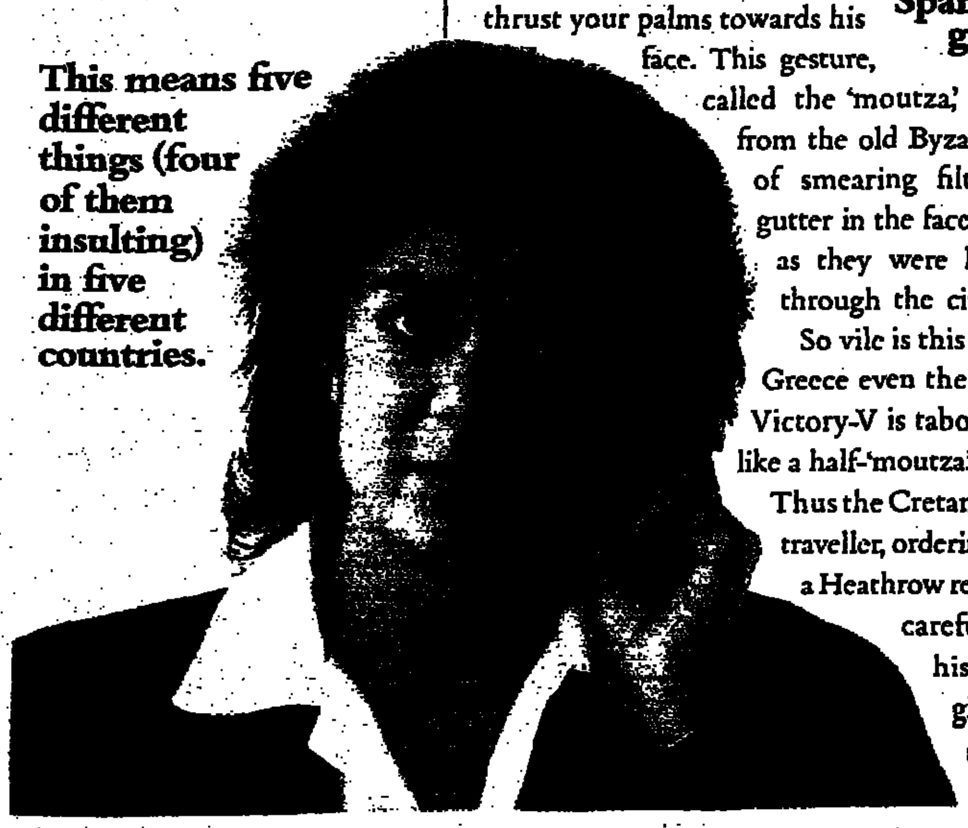
There is no greater insult you can offer a Greek than to thrust your palms towards his face. This gesture, called the 'moutza,' is descended from the old Byzantine custom of smearing filth from the gutter in the faces of criminals as they were led in chains through the city.

So vile is this insult that in Greece even the Churchillian Victory-V is taboo, as it looks like a half-'moutza.'

Thus the Cretan or Athenian traveller, ordering two teas in a Heathrow restaurant, will carefully reverse his palm and give the waiter two fingers in the best Harvey Smith manner. With 22,600 orders for cups of tea open to misinterpretation every day, the wonder is the place functions at all.



At all costs avoid the Spanish Louse gesture.



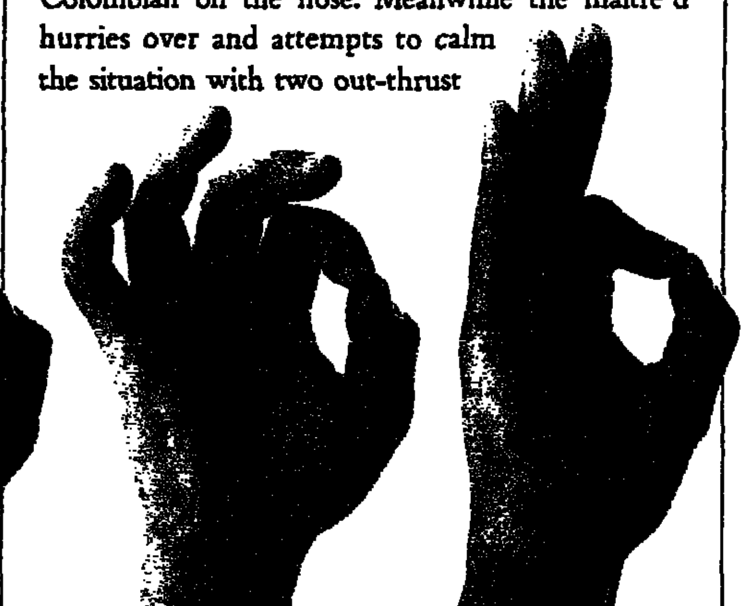
This means five different things (four of them insulting) in five different countries.

It's so easy to give offence. Suppose a passenger asks at the Information Desk where he should go to pay his airport tax.

Now the good news is that at Heathrow, unlike many airports I could name, passengers don't pay any taxes. But just as the Information Assistant begins to say so, she is assailed by a tremendous itch and tugs at her earlobe.

Astonishing though it may seem, this simple gesture means five different things in five different Mediterranean countries.

In America this means 'A-OK.' **In France it means 'zero.'**



In Japan it means 'money.' **In Tunisia it means 'I'll kill you.'**

Depending on his nationality, the Assistant has offered the passenger the following insult:

TO A SPANIARD: 'You rotten sponger.'

TO A GREEK: 'You'd better watch it, mate.'

TO A MALTESE: 'You're a sneaky little so-and-so.'

TO AN ITALIAN: 'Get lost you pansy.'

Only a Portuguese (to whom the gesture signifies something ineffably wonderful) would hang around long enough to hear the answer.

Happily, I can report that BAA's information staff are trained in body language.

A Sardinian woman asks if it is easy to find a taxi at Heathrow. The answer she gets is a cheery British thumbs up. (Very likely from one of the 900 cabbies who serve the airport on an average day.) Immediately, she clonks the unfortunate man with her handbag for making such a devastatingly obscene suggestion. This is why, incidentally, it's inadvisable to hitch-hike in Sardinia.

Isn't there at least one truly international gesture? Don't bet on it.

A Japanese asks an American passenger whether Heathrow has a luggage trolley service. It has. And as it happens, this service is not only first class, but FREE! So the Yank replies with the famous 'A-OK' ring gesture. But to the Japanese this signifies 'money' and he concludes there is a large charge for the service.

Meanwhile, a Tunisian on-looker thinks the American is telling the Japanese that he is a worthless rogue and he is going to kill him.

The ring-gesture can have further meanings.

A Frenchman has just read a BAA advertisement. Glancing around the restaurant in Terminal 4, he remarks wonderingly to his wife, 'You know how much zis aeroport cost the British taxpayer? Not a sou.' And he makes the finger and thumb ring which to him means 'zero.'

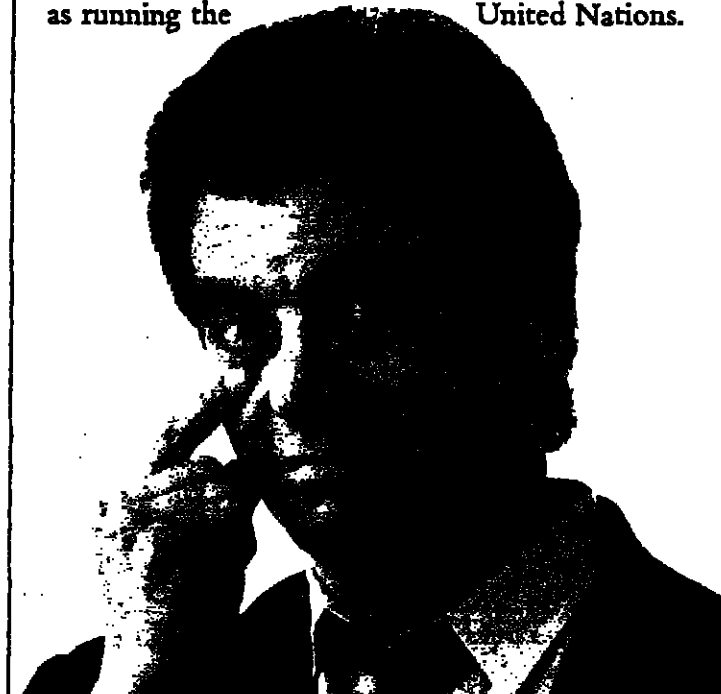
Unfortunately, at the time he is glancing at a Colombian who is enjoying a fine Burgundy with his steak Bearnaise. The Colombian, enraged by the deadly obscenity which he assumes is directed at him, chokes on his wine and catches at his nose with finger and thumb.

The Punjabi Snake Tongue means 'you're a liar.'

This appalls a Syrian sitting opposite, who thinks the Colombian is telling him to 'go to hell.'

The Syrian is restrained with difficulty by his Greek colleague from getting up and punching the Colombian on the nose. Meanwhile the maitre d' hurries over and attempts to calm the situation with two out-thrust palms. This of course is taken by the Greek to be a double-'moutza' and in his rage he promptly skewers the unfortunate man with his fish knife.

Of course I am exaggerating to make a point, but I do find it astonishing that Heathrow receives only 8 complaints per 100,000 passengers. Keeping the lid on this simmering rum-punch of international emotions must take every bit as much diplomatic skill as running the United Nations.



To a Saudi this is insulting. To a Florentine deeply flattering.

But even if you're never treated to such a choreography of misunderstandings, the Heathrow ballet is never dull.

Eyes peeled, next time you're there.

(And if you spot anything really unusual, like the South American Goitre Sign, or the Hawaiian Missing Bottle Waggle, do write and let me know.)

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UK NEWS

Government hits at SE role in Milbury collapse

By Alice Rawsthorn

THE STOCK EXCHANGE has been heavily criticised by a Government report into the collapse of Milbury, a property company controlled by Mr Jim Raper, the disgraced financier.

The report, compiled by the Department of Trade and Industry, is critical of the Stock Exchange's decision to allow Milbury to be relisted as a publicly quoted company in 1983 only three years after it had been suspended and Mr Raper had been described by the Takeover Panel as being unfit to run a public company.

It calls for a review of the running of the Committee on Quotations at the Stock Exchange and also of the relationship between the Exchange and the Takeover Panel.

During the 1970s Mr Raper – who is now wanted for questioning by the police in connection with the collapse of the Isle of Man Savings & Investments Bank – was one of the most infamous and flamboyant figures in London financial world.

But in 1983, after Mr Raper had acquired a substantial stake in the Westminster Property Group, the exchange decided that it had no option but to seek a reconciliation with him.

Mr Patrick Mitford-Slade, a partner in the Cazenove stockbroking firm and then deputy chairman of the Exchange, began discussions with him. Mr Robin Stormonth-Darling, then chairman of Alexanders Laing & Cruickshank and joint chairman of the Committee on Quotations, also played a leading role.

As a result Milbury, one of the companies controlled by Mr Raper, was relisted and took over Westminster.

It also criticises the Exchange and Henry Ansbacher – the merchant bank it appointed to act for Milbury – for failing to ensure that an independent non-executive director was appointed to the company's board.

The Stock Exchange said yesterday that it considers the decision to relist Milbury to be justified. It accepted, however, that it should have ensured that a non-executive was appointed. Ansbacher said that all the directors involved in the Milbury saga – including Lord Spens, who left last year after the Guinness scandal – are no longer with the bank.

World Service changes its accent

Raymond Snoddy on BBC plans to alter the voice of Britain

BBC World Service, to millions of listeners overseas the voice of Britain, is dropping or modifying many of its more strident signature tunes to give the service a more contemporary sound as part of a major restructuring.

There will also be an increased commitment to financial reporting on the service, which has 25m regular listeners around the world, with Financial News featured up to 10 times a day.

But it will be the change in tone that will be most noticeable. From next week Imperial Echoes, the signature tune that introduces the long-running Radio Newsreel, will be put through a synthesiser to moderate it. However, the familiar chimes of Big Ben and the "Lillibulero" theme at the beginning of news bulletins will remain trademarks of the World Service in English which has about 25m regular listeners around the world.

The aim is to replace the tone of deliberation, solemnity and officialdom with younger more relaxed voices but without losing any of the World Service's journalistic authority.

"You can't have a network sounding 40 years out of date," Mr John Tusa, managing director of the World Service said yesterday.

Twelve new programmes are being introduced as a central part of what is described as "the most radical developments in the history of the World Service in English."

A new daily comprehensive 60 minute survey of world news, Newshour, broadcast at 22.00 GMT, will be the flagship of the World Service.

Many of the changes have been made after detailed audience research.

The research showed that typical listeners tend to be under 30, male, and well educated, are more likely to live in the developing world and tune in late at night.

Newshour's spot in the schedule was chosen because it was a good evening time for listeners in Europe and West Africa, breakfast time in South East Asia and the Far East, and a late afternoon slot for the Americas.

Taxpayers could lose by Ordnance deal

By Paul Cheeseright and Charles Hodgson

BRITISH taxpayers could be deprived of benefits from the sale of the Royal Ordnance armaments factories to British Aerospace because the Ministry of Defence did not carry out up-to-date property valuations, the Public Accounts Committee of the House of Commons said yesterday.

The all-party committee made specific reference to two Royal Ordnance sites, at Enfield and Waltham Abbey, in north and North East London respectively. It said it was concerned that BAe "could make a substantial gain on the sale or development of these prime sites without benefits accruing to the taxpayer beyond the sale price paid by BAe."

Mr Neil Kinnock, Labour leader, fiercely criticised the Government's handling of the sale after reading the report. He alleged that BAe stood to make a "huge killing" from the sale of the two sites and asked Mrs Margaret Thatcher, the Prime Minister, what she intended to do to ensure the taxpayer obtained the "full reward" from the sale.

Mrs Thatcher responded by noting that the independent Comptroller and Auditor General had concluded that competition for Royal Ordnance, recently-privatised armaments group, had been "sufficiently widely-based to secure the highest price available in the prevailing commercial climate."

BAe paid £190m in April 1987 to secure all the Royal Ordnance factories, except one in Leeds, in the North of England. Royal Ordnance had already decided to shut the plant at Waltham Abbey, in Essex. BAe decided soon after the takeover to close the plant at Enfield.

There has been much political controversy during the last two weeks about the price paid by BAe.

There have been charges of asset-stripping in the light of the plant closures and the fact that the last time Enfield and Waltham Abbey were valued, in 1984, they were given a joint worth of £3.5m.

The Public Accounts Committee, on the basis of evidence it heard in December 1987, said it was concerned that the Ministry of Defence did not "obtain an alternative valuation of these sites based on the assumption that their redevelopment might be approved in the future."

Minister confirms postponement of coal power plant

By Maurice Samuelson

MR CECIL PARKINSON, Energy Secretary, yesterday confirmed he had postponed calling a planning inquiry over a new coal-fired power station on the south coast of England because of uncertainty about its prospects after the electricity industry is privatised.

His statement is bound to fuel speculation whether the Central Electricity Generating Board's (CEGB) private successor companies will proceed with the two other coal-fired power stations it says are needed to meet growing power needs in the next decade.

Mr Parkinson, in a written parliamentary answer, said the CEGB felt it could not proceed with the plant at Fawley, Hampshire, without assurances from the area electricity boards that they wanted its power. He was, therefore, giving it until May 1 1989, to decide whether to proceed with the application or withdraw it.

Mr John Prescott, Labour's energy spokesman, said last night that if there was no demand for the Fawley coal-fired power station while the application continued for a new pressurised water reactor (PWR) at Hinkley Point, in the West of England "that would be government discrimination against the coal industry in favour of nuclear power."

Officials at the CEGB last night stood by their view that three coal plants would be needed for the 1990s. But their investment plans, published last February, had been overtaken by the privatisation policy paper which had raised several issues regarding the structure of the industry and the responsibilities of its various sectors.

"One of the main issues is that the CEGB's obligation to supply will be transferred to the 12 area electricity boards when they become distribution companies under the proposals. It will be for the distribution companies to decide whether they wish to contract for new power stations, and if so, where, what type, and when.

"The CEGB is, therefore, discussing with the area boards their future requirements for electricity supplies and for new coal-fired capacity. These discussions are part of the wider consideration of the consequences of privatisation including negotiations on the contracts for the existing stations, and this work is taking time."

Tory MPs rally in child benefits row

Peter Riddell and Michael Cassell

Mr John Moore, the UK Social Security Secretary, yesterday won the support of most Conservative MPs for the Government's decision to freeze child benefit and to concentrate extra help on lower income families with children.

The annual statement on social security uprating in the House of Commons yesterday was, however, strongly attacked by the opposition Labour Party and criticised by a minority of Conservative backbenchers.

The announcement on new benefit levels from next April, including the full inflation proofing of pensions, will be followed next Tuesday by the autumn economic statement by Mr Nigel Lawson, the Chancellor of the Exchequer. Details of next year's spending plans will be confirmed by the full Cabinet that morning.

The decision to target family support rather than to increase child benefit across-the-board will save the Treasury £133m next year.

Mr Moore's political standing has taken a battering recently, since his department pressed, and failed, to secure an increase in child benefit. But yesterday's performance may have helped for the time being.

During more than 90 minutes of Commons exchanges Mr Moore's emphasis on targeting was supported by most Tory MPs. However, the critics, including Sir Ian Gilmour, Mr Robert McCrindle and Mr Timothy Raison argued that it was a mistake to target family credit, where take-up was only just over half the expected 60 per cent, rather than child benefit, where take-up was virtually 100 per cent.

Mr Robin Cook, Labour's social services spokesman, claimed the Government was not committed to retaining the benefit, despite its pledge before the last election, and that it sought its "abolition by stealth".

Labour may use some of its own Commons time for a debate.

Treasury team swings into action

Peter Norman reports on a cautious response to good trade figures

SEPTEMBER'S better than expected British trade and current account figures had the Government's well-oiled damage control team quickly swinging into action.

Whereas Treasury officials in recent months have been at pains to put the best possible gloss on indicators of rising inflation and overheating in the economy, their brief yesterday was to play down the fact that the current account last month was "only" £660m in deficit compared with most City forecasts of between £1.3bn and £1.5bn.

As sterling surged on the foreign exchange markets and share and gilt-edged stock prices rallied, out came the familiar arguments about not taking one month's figures as a guide to long-term trends.

There are, indeed, good reasons to view the latest trade figures with some scepticism. The always volatile trade and current account figures have been unusually erratic this summer. Although still heavily in deficit, the September figures are a huge £1.6bn nearer to balance than the July's "shockers" which showed a current account deficit of £2.15bn and a visible trade deficit of £2.65bn.

In compensating for the effects of the postal strike, the Customs Statistical Office included export documents received two days after the normal closing date for the figures and so might have added between £200m and £250m to Britain's export total last month.

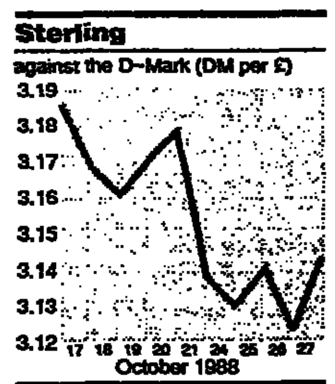
September traditionally shows an improvement in the trade balance, suggesting that the Government's procedures for adjusting the figures to take account of seasonal changes might need some revision.

The figures also included a £275m jump in exports of oil and so-called "erratic" items. The big increase in sales abroad of oil, aircraft and precious stones last month cannot be extrapolated into the future as an indicator of Britain's export success.

CURRENT ACCOUNT (£bn)

	Current balance	Visible trade balance
1985	+3.3	-2.3
1986	-0.2	-8.7
1987	-2.5	-10.2
1988		
Qtr 1	-2.8	-3.9
Qtr 2	-2.9	-4.4
Qtr 3	-4.0	-5.5
July	-2.2	-2.7
Aug.	-1.3	-1.8
Sept.	-0.6	-1.1

Figures for Qtr 1 and earlier are revised estimates



But in spite of all these caveats, yesterday's trade data did contain some good news. The most obvious was a sharp rise in British exports to £7.56bn last month from £6.76bn in August, while imports advanced only to £8.62bn from £8.56bn. This left a visible trade gap of £1.06bn last month compared with August's £1.81bn.

Exports also rose strongly in volume terms over the past month, reversing the recent trend for a much faster rise in imports. Excluding erratics, the Department of Trade and Industry's figures show export volumes up by a seasonally adjusted 10.3 per cent in September compared with a 5 per cent rise in import volumes.

The DTI's volume figures show a steep 13.6 per cent seasonally adjusted increase in the sales abroad of manufactured goods last month. In particular, sales of chemicals jumped nearly 16 per cent in volume, while intermediate goods sales rose 13.4 per cent and capital goods sales were up almost 8 per cent.

These statistics suggest that British manufacturers are staying competitive in foreign markets and cashing in on what increasingly appears to be a worldwide investment boom. The figures support the optimism about export prospects that was apparent in the Confederation of British Industry's industrial trends survey.

They also square with recent government statistics showing a 7 per cent year on year increase in UK manufacturing production; and an especially strong 11 per cent growth in output of the investment goods industry.

"The figures are a bit of a dog's dinner," said Mr Peter Spencer, an economist with Shearson Lehman Hutton in London. "But even if you bend over backwards to take account of the special factors, they are still very encouraging."

However, it is too early to declare that Britain's appetite for foreign made goods is anywhere near sated.

Plan to support optoelectronics

By Hugo Dixon

The UK Government is planning a research programme of up to £50m to support the UK's optoelectronic industry.

Optoelectronics, which includes lasers and fibre optics, is one of the few branches of electronics where the UK has a strong position in the world market.

The idea of the new research programme would be to help British companies maintain their position in this fast-expanding market, which is expected to be worth more than £7bn worldwide by 1990.

Optoelectronics covers a wide field of technologies where light is used in electronic systems. There are plans to use the technologies in advanced computers and high-definition television.

The Department of Trade & Industry is at present examining various options for raising money to fund research into the area.

The first meeting of an optoelectronics committee, which will co-ordinate the Government's activities in the field, will take place next week. There will be discussions with representatives from industry and universities on November 24th.

The new programme is partly a response to a report earlier this year by the Government's Advisory Council on Science and Technology which highlighted the importance of optoelectronics to the UK.

One option for raising funds would be to divert to optoelectronics up to £20m which has been allocated for research into certain types of advanced micro-chip.

BR attacked on plans for on-board Customs

By Kevin Brown, Transport Correspondent

BRITISH RAIL'S Channel Tunnel trains could turn into "drugs expresses" if the UK Government allows on-board Customs checks, two trade unions claimed yesterday.

Officials of the National Union of Civil and Public Servants and the Civil and Public Services Association said on-board Customs "would put the health and welfare of Britain at risk for the sake of British Rail's timetables."

The unions, which represent Customs officers, say checks could only be carried out effectively in airline-style Customs halls.

The unions saw Mr Peter Lilley, the Economic Secretary to the Treasury, yesterday to press for the reversal of plans to allow on-board checks on trains terminating north of London.

"We do not believe that the Customs controls that are exercised in a number of EC states are of the same level that we exercise in this country. They therefore will make us more vulnerable," Mr King said.

UK executives rise in pay league

BRITISH chief executives' cash remuneration puts them in 11th place in the international pay league, Michael Skapinker reports. They rise to fourth place, however, when perks and long-term incentives are taken into account, according to a survey published today.

TPF and C, the management consultancy which published the survey, said that these rankings compared with 13th and 8th places respectively a year ago.

The 20-country survey found that that the typical UK executive earned £90,000 in total cash remuneration. This includes basic pay and cash bonuses. In Europe, only Swedish chief executives (£65,000) earned less. The highest paid chief executives in the world were in the US, with total cash remuneration of £164,000.

Arab group urges tourism boycott

THE ARAB League yesterday urged Britain not to send its Tourism Minister to a controversial meeting of British travel agents in Jerusalem next week, and threatened boycott measures against companies taking part, writes Andrew Gowers.

The League, which groups 20 Arab states plus the Palestine Liberation Organisation, said the presence of Mr John Lee at the annual convention of the Association of British Travel Agents "would represent a provocation to Arab and Islamic sentiments and could have negative repercussions for Arab-British interests."

League officials said British Government participation might be interpreted as condoning Israeli actions in the occupied West Bank and Gaza Strip.

NatWest signs £15m deal with Reuters and BT

By Alan Cane

NATIONAL Westminster, leading commercial bank, announced yesterday it had signed letters of intent with Reuter and British Telecom for about £15m worth of equipment as part of a five-year, £1bn investment programme in information technology.

Mr Stephen Westpfel, head of technology at County NatWest, the bank's equities operation, said:

"The selection of British Telecom and Reuter anticipates a continuing need to manage change cost-effectively while providing competitive edge."

NatWest is investing heavily in trading technology and is building one of the world's most-advanced electronic dealing room complexes in its new London premises.

Reuter will provide NatWest with the latest version of its dealing room information system, based entirely on computer technology rather than the video system which currently predominates.

The system is based on workstations made by Sun Microsystems of California, fastest-growing US computer manufacturer.

Sun workstations are more commonly used by scientists and engineers for elaborate calculations and simulations, but they are seen increasingly in US dealing rooms as brokers seek faster information and analyses.

British Telecom will provide a voice telephone system for the complex and the "dealerboards", computer-based systems which connect dealers instantly to their counterparts.

The new building will house the bank's securities and treasury dealing operations and 685 dealer desks should be in position when the complex goes live in late 1989.

By 1992, the building should accommodate between 900 and 1,050 dealing positions.

Lord Young sets out principles of merger policy

Nikki Tait outlines the Government's thinking on takeovers and competition.

Broad principles of UK merger policy, and certain recent referral decisions, were explained by Lord Young, Trade and Industry Secretary, at the Stock Exchange in London last night.

A number of decisions have surprised the stock market recently, and prompted questions about Goverment policy.

The Government, on the other hand, is understood to be concerned that certain misconceptions about merger policy have developed recently. Copies of the speech will be sent to 1,000 industrialists.

Speaking to an audience of industrialists, Lord Young covered several broad areas of policy.

First he tackled the main criteria for a reference. Lord Young said he believed that the basic policy which the Government had followed for a number of years had been correct; the main consideration in evaluating a merger for a reference to the Monopolies and Mergers Commission should be the potential effect on competition in the UK, he said.

"My responsibilities are for the UK not Europe nor the wider world. I look at mergers from the standpoint of the UK customer... My concern can be restated as ensuring that UK industry has sufficient choice to be able to buy materials and components it needs at the lowest possible prices and on the best possible terms."

Lord Young added: "While competition will be the main consideration in my decision whether to refer I still retain the power to make a reference on public interest grounds. Such cases are exceptional."

On political decision-making he said: "There seems to be a belief that references are sometimes used as a political bolt-hole, and that decisions can be influenced by extensive – and expensive – campaigns involving lobbying and advertising... This is not how the system works."

Lord Young said that it was for the Director General of the Office of Fair Trading (OFT) to advise on whether a referral was required. "The decision is mine," Lord Young said, "but I would need very strong reasons to reject the Director General's advice." He said that since 1979 there had been only only nine occasions - out of a total of about 2,000 cases - that advice not be taken.

Discussing confidential guidance he said: "In appropriate cases, the OFT can give a confidential indication after consulting me of whether I would be likely or not to refer a particular merger. Such guidance does not tie my hands in making a substantive decision and is based on the limited evidence available at the time when the proposal is not public knowledge." About 30 requests for confidential guidance have been dealt with in 1988.

Then Lord Young outlined the criteria for defining the market, citing a number of different cases, concluding, "Markets vary. It is too simplistic to say merely that Europe ought to be the market against which competition is judged. For some products or services the market may be a single country...There are circumstances..as I have shown on one occasion (where) we might have to take the whole world into account.

"But in each and every case, it is the market that is judged and the effect on the customer is the test. If a merger is likely to lead to loss of choice and higher prices for the UK customer, it will probably be referred. But the corollary follows - where the UK customer has adequate choice as the result of effective competition from elsewhere in Europe or the world, apparently high shares of the UK market created by the merger will not necessarily lead to reference."

The 25 per cent UK market share test was no more than a trigger level for the OFT to look at the proposed deal, he added.

On the issue of international competitiveness he said: "We certainly consider claims that a merger will increase efficiency and international competitiveness, but I have to say that all too often in the past the claims have not been borne out by results."

Turning to EC merger regulation Lord Young recognised that there have been suggestions that mergers policy is too parochial and that implementation at the European level will provide the ideal solution. But he contended, "I have already made it clear that mergers policy taken the European and international dimension into account.

"Merger control at the European level already exists in the form of articles 85 and 86 of the Treaty (of Rome), which cover competition. So the regulation, if implemented, would be a replacement rather than an addition." He said that because the Government did not know whether this would be a better regime, that the UK had reserved its position on the principle of the regulation. He added that it continued to participate in working group discussions.

Leveraged bids were another area on which he outlined his policy. "I will not normally regard leveraging on its own as a ground for reference; but there may be a case for referral if high leveraging combined with some other feature of the bid may have undesirable effects."

Lord Young then turned to several recent decisions. He talked about the Nestle takeover of Rowntree. There were no competition issues, said Lord Young. On public interest grounds – in particular, the reciprocity question – he added: "Reciprocity is a tricky concept... To have referred Nestle's bid simply because Nestle was effectively bid-proof, would have sent a dangerously misleading signal to other countries about our attitude to inward investment - and invited retaliation against UK investment abroad."

Discussing the BP/KIO stake he described this as an exceptional case, where the referral was on grounds wider than traditional competition ones. "The implications of BP coming under the influence or control of a Government which has substantial oil interests, and which is a member of the Opec cartel, raised issues of public interest which warranted investigation by the Monopolies and Mergers Commission. But even here there were issues of competition in the widest sense."

Turning to RHM/Goodman Fielder Wattie, he said this was a leveraged bid, but the decision also reflected competition worries. "One of the markets affected by the proposed merger was bread which in the UK is both important and unusual. There are only two dominant producers, and this in itself can imply significant barriers to large-scale entry. The weakening of one of the producers could have a potentially serious effect on competition."

While the high leveraging of the bid would not normally, in itself, have been grounds from reference, the knock-on effect this could have had on competition was of sufficient concern to justify a reference."

Finally he discussed Consolidated Gold Fields/Minorco. "I considered that there was a case to answer – the merger raised competition issues

The fact that titanium and zirco would account for only a minute part of the group's activities was "not the test." "What must concern me is not the interests of either of the companies involved, or the new group, but the effect of the new arrangements on the consumer in the UK."

Takeover watchdog curbs false victory claims in bid battles

By Michael Smith

The UK Takeover Panel yesterday published amendments to the City of London code on takeovers and mergers which are aimed at preventing companies making erroneous claims of victory after a bid battle

Its changes to the code follow the wrongful claim by Blue Circle, the cement company, earlier this year that it either owned or controlled more than 50 per cent of the shares Birmid Qualcast, the home products company, at the end of a contested takeover battle.

Blue Circle subsequently had to make a humiliating climb-down.

It discovered that it did not have the full documentation for one block of shares and had double-counted another block.

The rules have been amended following a report by a committee of representatives of the Takeover Panel, bankers, the London Stock Exchange, lawyers and stockbrokers.

Substantial amendments have been made to ensure that the risk of double-counting by the receiving agent is minimised.

A new note ensures more stringent criteria are adopted for an offer which might become, or be declared, unconditional as to acceptances before the final closing date.

Under Rule 10 of the code the bidding company's receiving agent, usually a bank, will be required to produce a certificate showing the number of acceptances received and of shares purchased by its client.

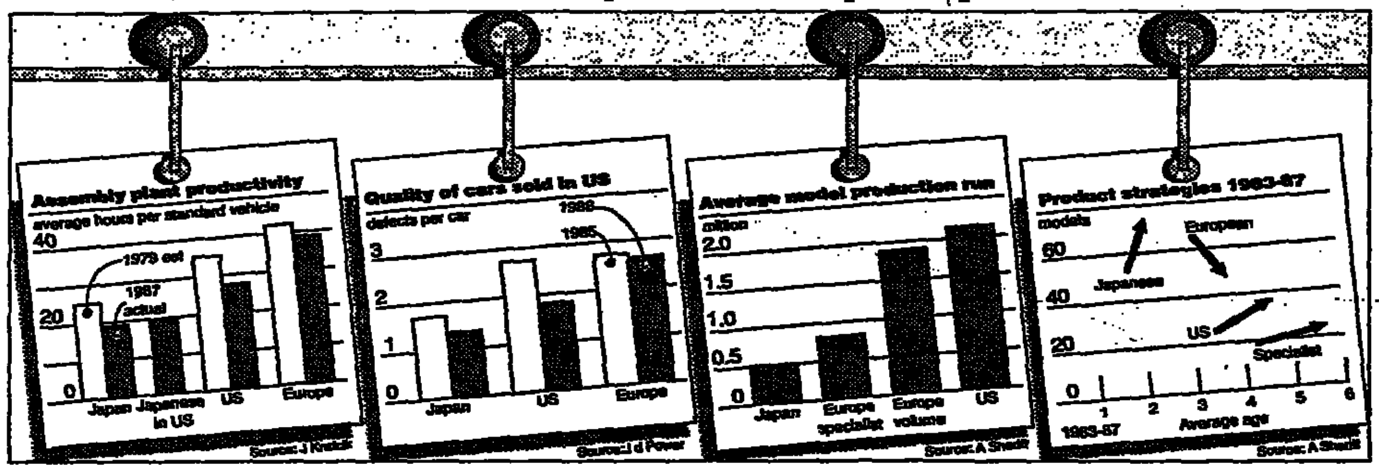
At the closing date each of these must be accompanied by necessary documents to classify them as "up to registration standard."

Under certain circumstances the offeror's agent will also be able to request a delay in the announcement of the result of the bid battle.

MANAGEMENT

The real challenge facing the European motor industry

Daniel Jones and **James Womack** compare US and Japanese performance



In the week of the Birmingham Motor Show it would seem that prospects for the European motor industry could hardly be brighter. Every company is now making profits. The industry continues to run a large trade surplus with the rest of the world. The painful adjustments to capacity and employment necessary to restore profitability earlier in the 1980s are over. Indeed, the only problems appear to be the recent softening of sales and margins in North America and vague unease about what 1992 might mean.

Unfortunately, there are some clouds on the horizon. Recent findings presented at the the International Motor Vehicle Programme's European Policy Forum indicate that there is some cause for concern about the competitiveness of the European motor industry in the 1990s.

● A worldwide survey of assembly plant performance indicates that the average Japanese plant in Japan can produce a car of comparable complexity and specification with half the human effort (both shop floor and managerial) needed in European-owned plants in Europe.

The Americans manage to do much better on average and the best American-owned plants in North America are now comparable in productivity to the average Japanese plant in Japan.

● The most recent J.D. Power and Associates survey of new car buyers in North America indicates that Japanese product quality is superior and continues to improve, that American product quality is catching up with remarkable speed, but that the European producers, already in third place, are standing still.

● The traditional superiority of European product technology is now under severe attack by the Japanese. The European "technology leaders" – Daimler-Benz and Volkswagen/Audi – are now spending only as much on R&D as the third ranking Japanese company, Honda, while Peugeot and Fiat spend only as much as Mazda, which is half their size.

In the vital North American market the Japanese producers are now taking out twice as many patents as American firms and three times as many as the European producers. In addition, the Japanese seem to get the results of their R&D on to the market much more quickly – witness the plethora of new four-valve engines from Japan.

● Speed to market is not surprising when one compares product development systems. Professor Kim Clark and his colleagues at the Harvard Business School have found that the Japanese companies on average need 43 months to move a new product from paper concept to the consumer while the Europeans and the Americans need 62. Even worse, Clark estimates that the Japanese firms need only about half the engineering hours of the Europeans and the Americans to get the job done.

In the early 1990s Europe will face redoubled competition from Japan and from a rejuvenated American industry as well. The degree to which weaknesses are recognised and tackled now will determine the ability of the Europeans to hold their own.

Timely action can bring rapid results. Much can be learnt from the way the American producers have come to terms with Japanese competitors in their home market.

By the 1970s the American auto makers had fallen behind Japan on practically every competitive dimension – productivity, product quality, and responsiveness to the market. The American reaction to the flood of Japanese imports was to impose a "voluntary" quota but also, and much more significant, a relative openness to Japanese direct investment.

In consequence, the Japanese have opened or have under construction 11 North American assembly plants (eight in the US and three more in Canada).

Many observers in Europe labelled the American approach foolish. The assembly plants were dismissed as "screwdriver" operations and the Americans were ridiculed for bringing an overcapacity crisis on themselves as soon as these plants came on stream. However, five years later these warnings are not being borne out.

The opening of the first Japanese plants – Honda in Ohio, Nissan in Tennessee, and the GM/Toyota joint venture in California – quickly eliminated all "cultural" explanations of Japanese competitiveness. These plants showed that American workers and managers could produce cars with the same productivity and very nearly the same quality as equivalent plants in Japan.

Suddenly, with competition from across the road instead of half way round the world, many of the American-owned plants in the US began to improve rapidly as well. Indeed, one American company can now match Japanese productivity and very nearly equal Japanese quality. Significantly these productivity gains were made by reorganising the flow of work through the plant and not by massive investments in automated equipment.

The Japanese have brought more than their screwdrivers to the US. The initial plants opened with only about 30 per cent domestic content. This has rapidly increased to around 50 per cent and all of the companies are publicly committed to achieving around 75 per cent by the early 1990s. Also, most are making plans to export from the US to other markets including western Europe.

This is not the result of US government requirements or even of the strong yen. Rather, the Japanese are rediscovering what the Americans found with their European manufacturing investments a half century earlier – that products need to be customised for regional markets and that designers and engineers need to be resident within those regions to do the job properly.

The Japanese are rapidly developing R&D capabilities in North America to produce North American versions of basic products in the early 1990s. By the mid-1990s it seems likely that they will be designing unique products specifically for North America. At the same time there should be a dramatic improvement in North American design and engineering systems as, once more, the competition locates just across the road.

If screwdrivers are giving way to top-to-bottom manufacturing, what about overcapacity? There may still be a "crisis" by the early 1990s in which the good capacity pushes out the bad, although some plants have already closed. However, a general increase in productivity will expand the market and is making volume exports possible for the first time in a generation, This means that achieving Japanese levels of productivity and consistent quality – while stressful – will be easier than expected.

The Europeans have a breathing space until the early 1990s when the Japanese unveil the full range of new luxury models under development and finally take the investment plunge in Europe. European governments have the difficult task of striking the right balance between maintaining a European-owned auto industry and generating sufficient pressure to make sure the industry remains globally competitive and that European consumers get a fair deal.

The lessons from America indicate that a more liberal stance towards Japanese inward investment into Europe will ensure more rapid change towards world class techniques. Those who hide behind barriers of one kind or another will fall further and further behind those who learn to compete head on with the Japanese in their own back yard.

On the company level something more is needed. The greatest historic strength of the European industry has been product distinctiveness and diversity. This is in danger of being lost and must instead be re-emphasised.

The European producers have recently been pushing production scale as their primary method of reducing costs. Many still see mergers and further industry consolidation as essential means to this end, with efforts being hastened by the prospect of a unified market in 1992. The result is that the range of European products has actually been shrinking and ageing while the Japanese expand and retain the freshness of their ranges.

When one looks at production volumes over the life of the model, the differences are truly striking; the European "specialist" producers – Daimler Benz, BMW, Jaguar, Porsche, Volvo and Saab – are on average producing individual models in larger volumes than the Japanese mass market producers.

Yet the latter are still thought by many in Europe to be pursuing a "commodity" strategy to sell standardised products on the basis of low price and consistent quality.

The true strategy of the Japanese seems to be to push production volumes – both annually and during the life of a model – much lower than they already are and to offer a much wider range of models with an extraordinary range of technologies. Their production and design systems are already suited to the task of offering every consumer a product for his or her exact needs.

In Europe this threat is perceived by a few producers but responses seem to get bogged down in debates over model life. In fact, different product lives may be appropriate for different companies and different products. The real need is to devise a design and production system which can tailor products of whatever age to precise consumer desires, produce them in small lots, and respond rapidly to changing tastes.

This very approach has been the historic genius of the European auto industry. Fortunately, the skills are still there to do it if this strength is not lost sight of in strategising over 1992, an event which is much less important for the auto industry than facing up to the full logic of the Japanese challenge.

The authors are respectively European Director and Research Director of the International Motor Vehicle Programme, a four-year, 15-country study of the world motor vehicle industry co-ordinated by the Massachusetts Institute of Technology. The views presented here are those of the authors and not necessarily those of the programme or any of its sponsors.

A European market for managers

Michael Skapinker on pay and mobility

What effect will 1992 have on what Europeans are paid? Will managers in Manchester be able to obtain higher salaries by pointing to how much more their counterparts earn in Milan or Munich?

Philip Burnford of Hay Management Consultants says that there are no planned European legislative measures which would have a direct effect on pay and remuneration policy.

"There are no directives and, as yet, no intention to harmonise wages and salaries, pensions, social security, employment contracts or terms and conditions," he told the Institute of Personnel Management national conference in Harrogate yesterday.

"So at one level, the legislative level, we can answer the question – 'what will 1992 mean for pay practices across Europe?' – very simply: nothing. But at another level, that of economic reality, the answer must be very different."

In their search for the managers of the future, companies will increasingly have to look beyond their own national frontiers. British companies have begun to worry about the drop in the number of graduates emerging from UK universities. In fact, the problem is much wider than that.

Burnford said that Olivetti has concluded that the total output of *all* Europe's universities is likely to be less than its requirements in certain key disciplines.

"Other companies, which traditionally have looked to their home academic institutions as their natural recruiting ground, are already looking more widely across Europe."

In the 1990s, he predicted, the university "milk round" will become increasingly international and competitive. And British graduates will probably be more peripatetic than those of other European countries.

Continental companies will find British graduates attractive for several reasons, he said. UK universities have a well-organised and accessible recruitment process. In addition, a relatively low proportion of the British population goes to university and the quality of graduates is correspondingly high.

British graduates speak English, of course – the international language of business. Many are also keen to work abroad, particularly in the early years of their career. Unlike their continental counterparts, most have already had one experience of moving away from their home town – to attend university. Finally, salaries on offer in the UK are likely to be lower than in much of the rest of Europe.

But managers from other countries will be moving around far more too. Will their increased mobility result in greater uniformity of pay policy? To some extent, Burnford said, a gradual convergence is already starting to occur, notably in the area of linking pay to performance.

There are fields, such as international finance, where something approaching an international pay market already exists. In addition, organisations like Hanson, the industrial conglomerate, have begun to pay their top executives internationally competitive salaries.

There are, however, still large differences between countries – in the area of direct taxation, for example. Executives in the UK and France can expect to retain 62 per cent of their income after tax. In Denmark the figure is 32 per cent.

In the short term, these differences are likely to persist, Burnford said. Eventually, however, "I am convinced that the single economy will force substantial elimination of the distorting effects of significantly different tax regimes, including the tax treatment of benefit programmes and gradual harmonisation of social security practices. I think this is far more likely to happen as a result of economic pressure than as an act of political will."

He said that he did not think it would require a great increase in managerial mobility before pressure began to grow for more uniform pay policies in Europe. Companies moving their managers around would become more aware of the differences – and so would the managers.

"Some time before the end of this century we will have the European company," he said. "Its pay policies, like all its people policies, won't take nationality into account, nor will its reward policies recognise national markets."

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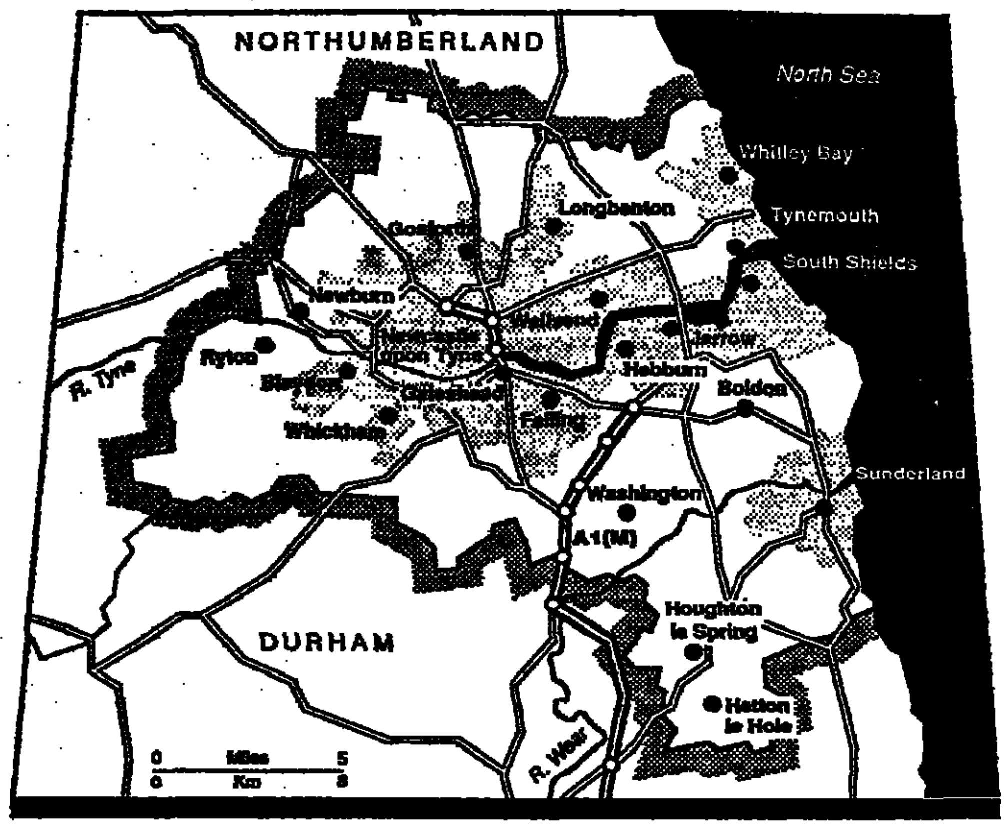
FINANCIAL TIMES SURVEY

Economic trends in the region look good. Unemployment is down. More new businesses are being formed. Inward investors have been moving in. But, reports Ian Hamilton Fazey, the statistics mask a fragility, which requires sustained growth and local effort to overcome



Left, the Tyne and Swing bridges, Newcastle upon Tyne

Tyne and Wear

A blood rush to the feet

DR JOHN BRIDGE of the Northern Development Company (NDC) likens the workings of the UK economy to the human circulation system. London and the South-East comprise the heart, pumping oxygenated blood to other regions.

Thus north-east England, which accounts for about 5 per cent of gross domestic product, is equivalent to a lower leg, with Tyne and Wear – the most populous county with 1.14m people – acting as a foot. Blood supply is crucial to prevent the toes dropping off.

"The economy may be overheating in the south, but it's certainly not overheating up here," Dr Bridge says. "We cannot stand alone. We account for too small a proportion of GDP to function as a free-standing economic unit. We are not like the North-West, which contributes 11 per cent, or Yorkshire and Humberside, with 9 per cent.

"We are largely dependent on what happens nationally. The best thing that can happen to us is five or six more years of sustained growth in the national economy, particularly in the South-East."

In other words, Tyne and Wear needs a lot more of what the Government has been calling "the ripple effect" – the spread of the southern boom northwards.

The trends in the North-East look good at present and the Government has been talking them up. Unemployment is down, increasingly more new businesses are being formed, inward investors have been moving in, Ministers have continued to open factories and point to the area's nascent enterprise culture.

But there is a fragility to all this and the statistics are none too reassuring, especially as they are being grouped together in such a way as to paint a far rosier picture than really exists.

Take unemployment, one of the main indicators of the success or otherwise of Government economic policy. The September statistics show the rate to be 11.8 per cent in the north, 2 percentage points better than last year, with nearly 30,000 fewer claimants.

But the figures are for what the Government defines as "the standard North" and this consists of the North-east – the counties of Tyne and Wear, Northumberland, Durham and Cleveland – plus the north-western county of Cumbria.

There is a logic in this, for the part of Cumbria north of Shap Fell and Penrith looks to Newcastle as its nearest big metropolitan centre. But the south of the county looks to Manchester, where the regional offices of the Departments of the Environment and Trade and Industry confuse matters even further by claiming Cumbria as theirs.

Cumbria's unemployment rate has been in single figures and falling for more than a year now. The latest figure for Tyne and Wear is 14.6 per cent. It does have a single figure rate – among women, where a substantial drift towards the part-time feminisation of the overall workforce – into early evening retail jobs, for example – has reduced it to 9 per cent. Among men, the rate is 18.8 per cent.

There is no deception in the way the Government collects and presents its statistics, of course, merely selectively unbalanced presentation. A similar misunderstanding of Tyne and Wear's economic health was encouraged by the latest VAT registration figures, published in August.

These indicate the rate at which new businesses are being formed. The Department of Employment's press notice stated correctly that the net gain in VAT registrations in the north during 1980-86 was 9.4 per cent and that in some sectors the increase was greater than the figure for the UK as a whole.

This is the sort of easily digestible snippet of news that finds its way unquestioned into TV and radio news bulletins or the business pages of popular newspapers. Four pages into the small print of the figures themselves was the northern breakdown – Cleveland up 15 per cent, Cumbria 8 per cent, Durham 9 per cent, Northumberland 10 per cent and Tyne and Wear 2 per cent.

Yet the total gain in the region was only 5,000 businesses in the seven years, compared with nearly 80,000 (plus 19 per cent) in the South-East and 14,000 (plus 13 per cent) in the West Midlands. The percentage figures underline the extent to which the northern regional economy is lagging the south and midlands, and the absolute figure gives away the woefully small base it was starting from.

Indeed, Tyne and Wear lost businesses in four out of ten industrial sectors. It had a very big gain – a 61 per cent increase in motor trades following the arrival of Nissan – but even its increases in financial and professional services (41 per cent) and unclassified, mainly small businesses (29 per cent) lagged behind the rest of the region.

Mr Jeremy Beecham, leader of the Labour-controlled Newcastle City Council points, out that 24,000 jobs have been lost in the last seven years. He sets this figure against the 3,000 jobs which the Tyne and Wear Development Corporation – the Government's new regenerator for the area – hopes to help create in the next three.

He says: "This has not been such a wonderful year for jobs. There has not been a tremendous upturn. The closure of Marconi in Gateshead, for example, put another 450 people out of work."

This week the threat of closure of North East Shipbuilders in Sunderland was confirmed - with 2,000 jobs at risk.

One theory behind not painting the picture as bad as it really is is that it improves morale. This view is supported by people such as Mr John Hall of Cameron Hall, developer of the Gateshead Metrocentre, the largest retail complex of its kind in Europe. Mr Hall believes that things are really changing for the better and it is therefore important to concentrate on good news and encourage the change to happen faster.

The argument is that reinforcing the North-East's image as a dependent economy and all that goes with it – branch factories, large employers, few small businesses, a shortage of entrepreneurial managers – does little to build up "can-do" attitudes and self-help.

However, although the conflict is the age-old one of propaganda versus truth, the truth has some very positive aspects to it too. Telling the whole story, particularly as it has developed in the last 12 months, may well serve the agents of change best.

Dr Bridge says: "Vacancies are rising substantially – year on year they are 20 per cent up. There was also a 50 per cent fall in the number of notified redundancies in 1987-88. This means that the unemployment trend has probably bottomed out.

"There is also continuing structural change. In 1975 one-third of the manufacturing workforce was employed by 10 organisations. In 1988, those same organisations employ only 6 per cent of the workforce. To get where we are today has been a miracle. We are just beginning to turn the corner. It has been a 13-year progression from a monolithic structure to the beginnings of an entrepreneurial one."

The NDC has emerged importantly in the last 12 months. It nearly went down when its first chief executive quit suddenly last year for family reasons only months after its launch.

Dr Bridge, who was poached back to Tyneside to head it from the chief executive's job at the Yorkshire and Humberside Development Association, has been the key factor in saving the body, a joint venture between public and private sectors whose leaders had in the past been more noted for their fallings-out than working together.

In its first 12 months the NDC pulled in a record 4,000 jobs through inward investment from abroad, which was better than elsewhere in England, slightly less than Wales but ahead of Scotland. The latter two countries have Government-funded development agencies to help, a sore point in many English regions.

The figure was well over 2,000 in first six months of this year, but perhaps more important is that Dr Bridge set up a UK desk in February to to try persuade south-eastern companies northwards. So far there have been 100 serious inquiries, 60 presentations and eight companies have moved, creating 700 jobs. Southern problems of skill shortages, finding and retaining labour, high overheads, congestion, poor distribution, bad deliveries, and problematic component sourcing are adding to northern attractions of space, good communications, low costs, and labour that is readily available, trainable and stable.

Dr Bridge says: "A lot of our problems can be put down to sheer lack of confidence in ourselves. Confidence is a very nebulous thing and what we have now is fragile. Economic regeneration is a bit like build-

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Many traditional local industries have staged . . .

A strong come-back

ALTHOUGH there may yet be more redundancies around the corner, these are likely to be only a fraction of what they have been in recent years. Generally, business in Tyne and Wear is booming for a large number of companies. Established businesses, many still in traditional industries, have come back strongly.

Northern Engineering Industries, the largest company in Tyne and Wear, is an example of the old guard enjoying a resurgence following a painful two-year £75m restructuring. NEI employs 8,000 people on Tyneside and operates world-wide and has, this year, seen a striking turnround in the state of its order book.

A contract for turbine generators for Iraq, worth £75m, a £23m power plant for an aluminium smelter in Bahrain, while at home a £50m order for the Faslane submarine base on the Clyde. Mr Terry Harrison, NEI's chairman, says he is heartened by the progress: "In the first half of the year our order intake was substantially up on the same period in 1987 and since June we have won several more significant contracts. With our reduced overheads and greater efficiency this will lead to improved profits in the future."

The area's traditional prowess in heavy engineering is playing a major role in the offshore industry, a sector in which more than 500 local companies are involved. The module building yards of Press Offshore Systems on the lower reaches of the Tyne are the largest in Britain and arguably the most successful. Charlton Leslie is another established Tyneside company that has adapted to the stringent demands of the offshore market.

Another familiar name is Vickers. Now a much slimmed down Vickers Defence Systems, the company has recently surprised itself, as well as other people, with its success in securing commercial orders to bridge the gap in defence work. An extra 48 workers have been taken on to cope.

The Bonas Machine Company might not be a household name. Firms in the precision machine business rarely are, but it is a classic example of living to fight another day. Facing near liquidation only two years ago, the company is today a European leader in its field.

A young high-tech company in a hurry to take on the Americans is Newcastle-based NE Electronics. A manufacturer of control systems, it has entered into a joint venture with one of its major customers, Newing Hall, to buy American engraving company Domitaux, of Toleda, as the quickest means of entering the US market.

One company that has come a long way from its origins is Mari. Founded originally by Newcastle University, the city's Polytechnic, the City Council and the, now defunct, Tyne and Wear County Council, Mari (The Microprocessor Applications Research Institute) was set up to do exactly what it name implied. Today, it is a vastly different organisation engaged in a variety of commercial activities, with a turnover last year of £6m and looking for around £7.5m for the year ending next March. Earlier in the year it opened an office in London Docklands.

The company operates in three broad sectors, consultancy, manufacturing and training. CSR, the consultancy and research arm develops software for other companies and provides consultancy on a wide basis, including strategic counselling. Mari Advanced Systems, the manufacturing operation has three factories, two in Sunderland and one in Newcastle, with products ranging from PCs to powerful multi-use machines.

No company in the UK has done more to take the bakery business up- market than Greggs. Bread now accounts for a mere 20 per cent of output and only 10 per cent of that is sliced. The move into value added bakery products is paying off with the announcement of a 42 per cent increase in pre-tax profits up to June this year. Turnover is up from £28.02m to £30.66m. The company has 380 outlets nationwide and a sum of £5m has been set aside for further acquisitions.

Outdoor and leisure clothing is a booming sector and three local firms, one old established and two fairly new, are making their mark. There was a time when waxed cotton outdoor wear was a specialised market and Barbour, of South Shields, was the leading name in it. Now everyone is wearing it and countless firms are making it. Barbour has, however, fought the competition with considerable success.

Berghaus, starting from a single sports goods shop in Newcastle in the 1960s now provides nearly 500 jobs at its Washington factory. Winner this year of a Queens Award for Export Achievement, the company has just agreed a £2m funding package with 3i to finance further expansion.

With Nissan boosting output at its Sunderland factory ahead of schedule – this month it began exporting Bluebird cars to nine European countries – it is now advertising for another 150 workers, bringing the total workforce to 2,000 by the end of the year. This can only be good news for firms in Tyne and Wear supplying the Sunderland plant.

These include SP Tyres at Washington, the factory bought from Dunlop by Sumotomo Rubber Industries in 1985. Of the 2,500,000 tyres produced every year 50 per cent go to Nissan. The remainder go to General Motors, Ford and Austin Rover, with 10 per cent being exported. Over the past three years £7m has been invested in the plant making it the most efficient of all SP's European operations. It is planned to invest £2m annually for the next few years.

Ewart Mann

Northern Development Company

A new-found unity

THE NORTHERN Development Company has not only survived its first two years, including the shock resignation, for family reasons, of Mr Martin Easteal its first chief executive, within months of taking up his post, but it is unifying the region in a way which its predecessor, the North of England Development Council, never quite managed.

Although established to allow the North-East to speak with one voice, the NEDC was blighted by local political infighting. So bad did this become that four years ago the government threatened to halt Whitehall funding unless the region put its house in order.

This metaphorical banging together of heads had the desired effect and a variety of different bodies who had previously insisted on doing their own thing suddenly began talking to one another. The end result was the NDC in which local authorities – including the Northern Region Councils Association, which had previously refused to have anything to do with the NEDC – trade unions and the CBI are all working together.

This new-found cohesion is in no small measure due to Mr Reay Atkinson, NDC's chairman . A widely-respected northern regional director of the DTI until his retirement, Mr Atkinson had been closely identified with strenuous attempts to attract job-creating investment to the region.

Reay Atkinson, NDC chairman

Another significant factor was the arrival of Dr John Bridge as chief executive at the beginning of this year. Dr Bridge knew the area well, having previously worked for the NEDC before leaving for a post in South Yorkshire and Humberside some three years earlier.

He found radical change in attitude in the North- East in general and Tyne and Wear in particular compared with three years ago. He says: "All at once we find that agencies and individuals are prepared to walk together in the same direction at the same time."

The two main roles of NDC are seen as co-ordination and facilitation – the bringing together of the various agencies and then, as an organisation, creating ideas and vehicles for economic development. One of its first projects has been the setting up of a Regional Procurement Office – the first in Britain – aimed at securing a greater share of contract work for local companies.

The NDC is also in the process of setting up a Northern Offshore Federation. The region has some 520 companies involved in the offshore market, and many of them are in Tyne and Wear. But a number of the smaller companies feel a need to get together in joint ventures to bid for sub-contract work from major companies in the industry. The NDC has done the ground work of setting up the new organisation and now it has been handed over to the industry to run.

This was not the first operation of its kind. Nearly a year ago, the NDC established the Northern Software Federation with a similar objective. "We see that as a model for other sectors. It is our contribution to encouraging small firm growth through better marketing and better information," Dr Bridge explains.

The NDC's latest venture in support of the small firm sector was the unveiling last month of a small firms loan fund, known as Northern Enterprises. The fund, which has the backing of British Shipbuilders Enterprises and the City Action Team, is designed to support firms needing sums of less than £50,000.

"The monitoring and appraisal costs of that size of loan are so high that often conventional sources of finance are not interested. Hopefully, if our scheme is a success, one or two institutions may come alongside and help," Dr Bridge says.

The NDC is also now seen as the region's sole agency for inward investment. Nearly 4,000 new jobs involving around £320m in capital investment have been created over the past year making the North-East second only to Wales as the most successful region in Britain in terms of attracting inward investment.

The NDC has continued to target Japan – the North-East now has 22 Japanese-owned companies – and new arrivals from there in support of Nissan and the electronics sector, include Ikidi Hoover at Washington, and Mitsumi at Jarrow.

A new source of inward investment, not previously looked at, has been other parts of the UK. "This has always been something of a shadowy area, with no one quite sure what the benefits are of moving industry around the UK," admits Dr Bridge. During the past six months there has been a substantial increase in enquiries from companies in the South, South-East and London, all complaining of increased wage costs, low skill levels, high labour mobility and soaring land costs. Eight moves have already taken place creating 700 jobs.

A significant element of these enquiries is that they are genuine relocations rather than branch factory expansions as was usual in the past. Civil service dispersal is thought to be a more fruitful area.

On the European front, the NDC has not only helped to persuade the EC to set up its third provincial information centre in Newcastle – the others are in Glasgow and Birmingham – but has secured provisional agreement with Brussels for an EC regional office in the city.

Dr Bridge sees the coming year as largely one of consolidation. He sees the Regional Procurement Office as being especially exciting, believing it will have the potential for bringing £100m- £150m in new orders to the region every year. In the long term, he stresses that at least three or four years of further steady national growth are crucial for the economic revival of the region.

Ewart Mann

INDUSTRIAL RESEARCH

Biotech to the fore

WITH MAJOR pharmaceutical and chemical manufacturing companies like ICI, Boots, Glaxo and Sterling Organics in the region, it is not surprising that much of the research carried out by both industry and the academic institutions tends to be in the field of biotechnology.

Indeed, the region's major collaborative venture between industry and academia, the HESIN project (Higher Education Support for Industry in the North) – involving the region's two universities and three polytechnics – chose biotechnology as its first project. However, the work of the Surface Engineering Group at Newcastle Polytechnic is attracting attention. A new application currently being researched at Newcastle Polytechnic is the coating of metals for surgical implants, especially hip replacements.

Newcastle University's civil engineering department is working on the use of anaerobic digesters that can be installed at the factory exit to cope with industrial waste. The centre for land use and water resources has brought together a variety of disciplines, including geologists, soil scientists and agronomists to study overall land use.

In what might sound an appropriate undertaking Newcastle disease has been successfully cloned. Better known as Fowl Pest, the work is being funded by the British Technology Group, with the support of the Poultry Research Centre. The University's Department of Agriculture has a number of research projects ranging from sub-sea ploughs to work on degradable lubricants, another project of special interest to the oil companies.

The path for the transfer of technology from the laboratory bench to the production line is not always smooth. Sunderland Polytechnic's Department of Mechanical Engineering has developed a low-cost automated vision tester for peripheral field and binocular vision and is considered to be invaluable in spotting both glaucoma and tunnel vision at an early stage.

Although the project has aroused interest in eye hospitals and among opticians, and is considered to have important applications in Third World countries, it is not proving easy to find a company willing to take it forward into the market place.

Such a situation is not all that unusual according to Michael Forster, chief executive of the Newcastle Technology Centre, who says it is very difficult getting British industry to develop new technology, although European competitors are often quite willing to do so.

The Newcastle Technology Centre, set up in 1985 was chosen as one of the first of the government-backed regional technology centres and subsequently it launched the DTI-supported Techsearch, a scheme to trawl worldwide for licensing opportunities for smaller companies.

Sixty firms now belong to the scheme. Emphasis is laid upon market-led projects.

Although most of the research originates in the academic institutions, some is carried out in the commercial sector, notably by the International Research and Development subsidiary of Northern Engineering Industries based in Newcastle. Around 450 people are employed at NEI-IRD, of whom about half are engaged on contract development for a wide variety of outside organisations, including the Ministry of Defence, the CEGB, British Steel, the National Nuclear Corporation and many industrial companies.

Much of this work is in the field of electrical, electronic and mechanical engineering, but also includes materials development, physical sciences and a wide range of service work. Last year NEI spent £24m on its own research and development. The Department of Trade and Industry is contributing £300,000 over three years to NEI-IRD to help establish an Engineering Superconductivity Club to assist British industry to exploit a new superconducting material now being developed which, being able to operate at much higher temperatures than previously, is expected to lead to many new industrial products.

Seeking to strengthen the links between the local academic institutions and industry and promote the transfer of technology, the Tyne and Wear Development Corporation is to establish a 50,000 sq ft science park on a site adjacent to Newcastle city centre and close to both the University and the Polytechnic. The TWDC says that if the North-East is to get back to competing with other regions such a park is essential and it will be looking for companies who want to tap into the academic research taking place in the city.

Ewart Mann

TYNE AND WEAR 3

RETAILING

Big centres pull the crowds

FOR THE past decade Tyneside has provided the apparent phenomenon of having one of the most buoyant provincial retail centres while, for most of the time, suffering one of the highest unemployment rates in mainland Britain. In spite of this, the tills continue to ring merrily.

The fuel for the shopping boom comes from the 85 per cent of the population with jobs who have seen pay keep well ahead of inflation. Cost of housing — to rent and to buy — and travelling to work, both major factors in domestic budgets further south, is low, leaving a relatively high proportion of income for discretionary spending.

The retail scene is dominated by the two major shopping complexes — Newcastle's Eldon Square and the Metro Centre at Gateshead. The latter is hailed as the largest shopping centre in Europe.

The advent of MetroCentre, the £185m brain-child of highly extrovert Tynesider, Mr John Hall, led to predictions of an early demise for Eldon Square, jointly owned by Capital and Counties, the Shell pension fund and the City Council.

The effect was certainly felt, as Mr Gordon Allinson, Eldon Square manager, admits, but nothing like so severely as had been anticipated. "We have lost about 5 per cent overall to Metro," he says. "But that's only about a third of what we expected to lose."

He points to the experience of one of Eldon's major stores, the John Lewis Partnership — 3 per cent down in the first year of MetroCentre, 9 per cent up in the next, ahead of the national average.

Shops in Newcastle reckon to be doing well because of the large catchment area they serve. The spend per shopper is not all that high, but with 3m people within one hour's travel and 5m within 2 hours, there are more of them. And as the only major shopping centre between Leeds and Edinburgh, Newcastle's retail trade is the main beneficiary.

Retail success in the centre of Newcastle is all about position. Shops on prime sites in Eldon Square, or outside in Northumberland Street may be booming, but a few hundred yards away they are closing down through lack of trade. Barely 50 yards from Eldon, Newgate Shopping Centre, also a Capital and Counties venture, has never been a success since it opened nearly twenty years ago.

The crucial importance of position is reflected in rentals. "For good sites rents in the city centre are on a par with other comparable regional centres," says Mr Ken Coulson, of property consultants, Chesterton.

A £15m retail development by London-based Greycoat Shopping Centres, linking into Eldon Square by a two-level bridge over a main city thoroughfare, is planned to open in the Spring, 1989.

Seven minutes away by shuttle bus, MetroCentre does not see itself as being directly in competition with Newcastle city centre, but rather more as a leisure experience, according Mr Ron Woodman, MetroCentre's marketing manager.

"We have three hundred shops open late every night, plus the ten-screen AMC cinema open until midnight. All this without any graffiti, or lay-abouts. Women feel perfectly safe to shop here any hour of the day or evening," he says.

He points to the fleets of coaches bringing people every week incredible distances. One coachload has come from as far away as Cheltenham.

But it has not all been plain sailing. Mr Woodman admits that many of the firms moving into MetroCentre in phase two — the main phase — were far from happy with the first year's trading. But he claims that things have improved significantly during the second year — MetroCentre celebrated its second birthday on October 14.

Mr Ken Coulson of Chesterton, managing agents for the Church Commissioners who own the freehold, says that many firms expected too much in the first year.

Mr Coulson stresses the dedicated support the Church Commissioners are giving to MetroCentre, making £1m a year available for promotional activities.

Meanwhile, Mr Woodman has a string of figures to support his assertion that MetroCentre is coming right. Parking statistics show 49,000 more cars are now visiting the complex each week compared with the same period last year — 95 per cent of people arrive by car.

The weekly average number passing through the malls reached 288,000 people between November 1987 and April 1988 and is claimed to have gone higher since. The record number of shoppers to date was on Saturday, November 28, last year, when 253 private coaches poured into the car parks.

These facts indicate that MetroCentre is succeeding, claims Mr Woodman, although he agrees with a number of traders who complain that the pattern is too much one of peaks and troughs. A promotional campaign has just been launched in Scandinavia, whose nationals spend, on average, £200 a head when they visit MetroCentre compared with an average domestic spend of £24 a head.

Another feature of the booming retail scene in Tyne and Wear is the appearance of more conventional retail warehouses. Mr Hall is building a series of these adjacent to the MetroCentre. Less than a couple of miles away, on the long established Team Valley Trading Estate, Hull-based Stadium Properties is developing a 25ac Retail World of warehousing.

First phase occupiers include Texas, Comet, Dallas and MFI. Others said to be showing include British Shoe Corporation, Carpetland, Allied Furnishers, Stork Babywear and Jolly Giant Toys.

That said, most shoppers in Tyne and Wear appear to remain loyal to their local centre for daily, weekly and even monthly needs, with MetroCentre being reserved for special visits. Some local shopping venues have covered malls, such as North Shields, owned by CIN Properties, and Washington Galleries, recently acquired by Postel, but most are open. At Sunderland, which has 28 per cent of Tyne and Wear unemployment, the council has undertaken a major shopping development review and is giving substantial support to major up-grading of the town's central shopping area to meet the needs of the 1990's.

Ewart Mann

Eldon Square shopping centre, Newcastle: serving a wide area

GARDEN FESTIVAL

Tree trail to Gateshead

ACCORDING TO Mr David Copeland, executive director of NGF 90, the company set up to build and operate the 1990 Gateshead Garden Festival, preparations are as far advanced as any of the three previous garden festivals were at this stage in their planning.

The bulk of the tree planting will be done this winter, he says, in order to ensure a mature look by the 18 May 1990 when the festival opens.

With a gross area of 200 acres, the Festival will cover four main locations, including an area of riverside. Excluding car and coach parks, roads and a monorail leaves around 120 acres, of which some 40 acres are being planted or land formed.

It is intended there will be more than fifty themed gardens and, during the five months of the festival — closing day is 21 October — there will be a score of flower shows and gardening displays.

As with the previous garden festivals, events will play a major part. There will be a covered arena with seating for two thousand people. If a sponsor can be found this will remain as a permanent feature, if not it will be a temporary structure. There will also be an amphitheatre for outdoor events.

There will be a series of six or eight funfair rides, although these will be confined to a special area with access independent of the Garden Festival. This will enable the funfair to remain open later in the evening than the main event.

A major horticultural feature will be a tree trail mounted in conjunction with the Royal Botanical Gardens, Kew.

Trees of importance, both ecological and economic will on show. Most will be trees of the temperate zones of the world but, in order to provide as complete a world picture as possible, some tropical species will be seen under glass.

Three horticultural halls will total 2,000 square metres and there will be a Festival farm. An early sponsor is British Coal which is promoting a wildlife conservation feature. This will be managed by Bellamy Associates, headed by Dr. David Bellamy.

A Pavilion of Northern Excellence will provide a microcosm of the region's industry, with special emphasis on the future.

Getting around the scattered site will be made easier by the use of road trains, a narrow gauge steam railway, trams from Newcastle, Gateshead and Sunderland restored and painted in their original livery and a monorail.

Total capital cost of the Gateshead Garden Festival is not yet known, much depending upon the degree of sponsorship from the private sector. So far, interest there appears to be slight and the organisers have a major promotional job to do.

What is known is the financial input by the public sector — £35m in the form of derelict land grants and assistance by central and local government.

Based upon an anticipated three to four million visits, representing something over two million visitors, Mr. Copeland says he is confident that the event will break even on revenue account, likely to be somewhere in the region of £8m.

The question of after-use is being taken very seriously. At both Liverpool and Stoke this has left much to be desired. At Glasgow it did not arise because Laing Homes, owners of the festival site, had announced the building of houses on the land even before the festival was planned.

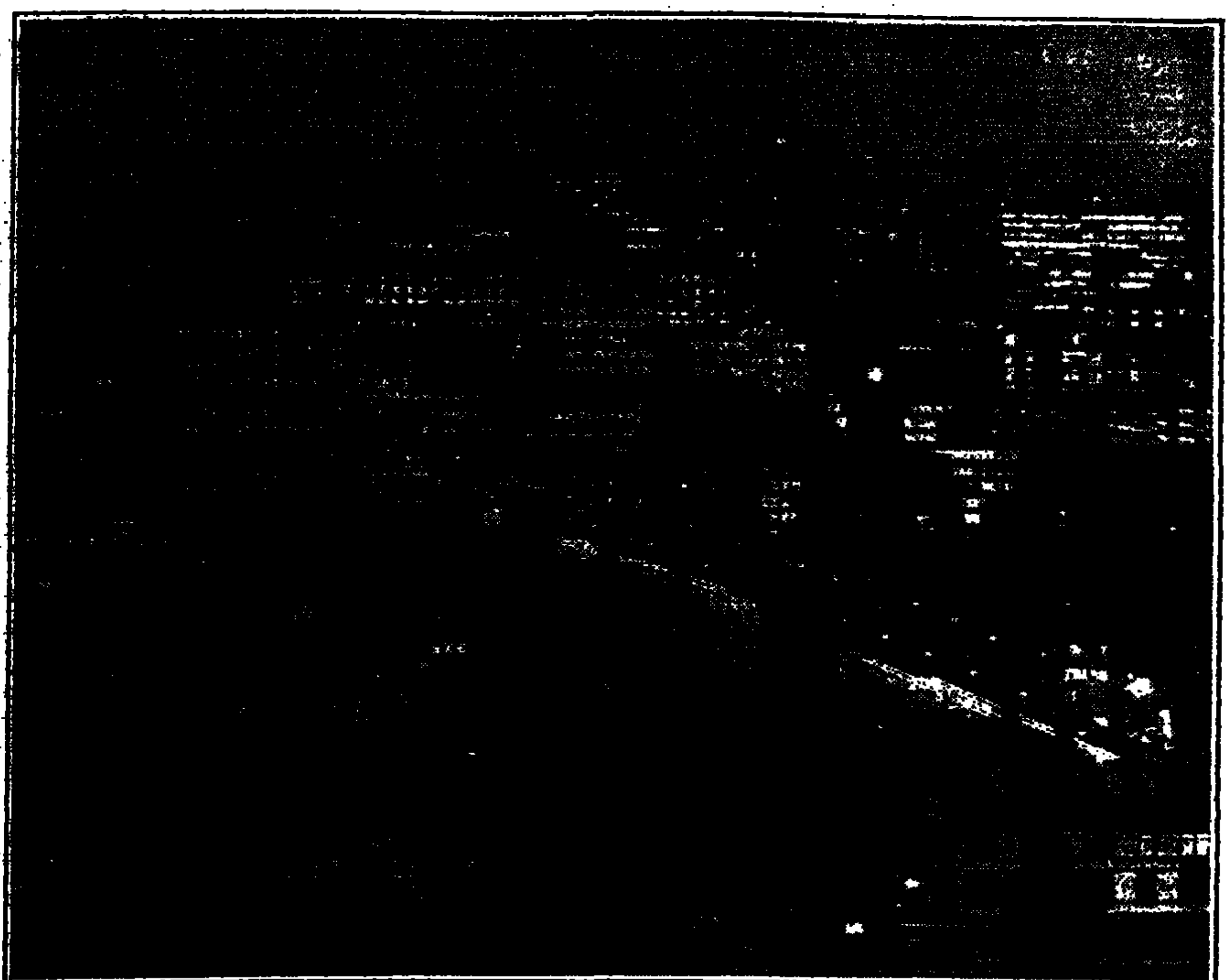
David Copeland explains that, in many ways, thoughts about after-use have come first. Agreement has already been reached with York-based Shepherd Homes to build houses on 35 acres of the 60-acre southern section of the site.

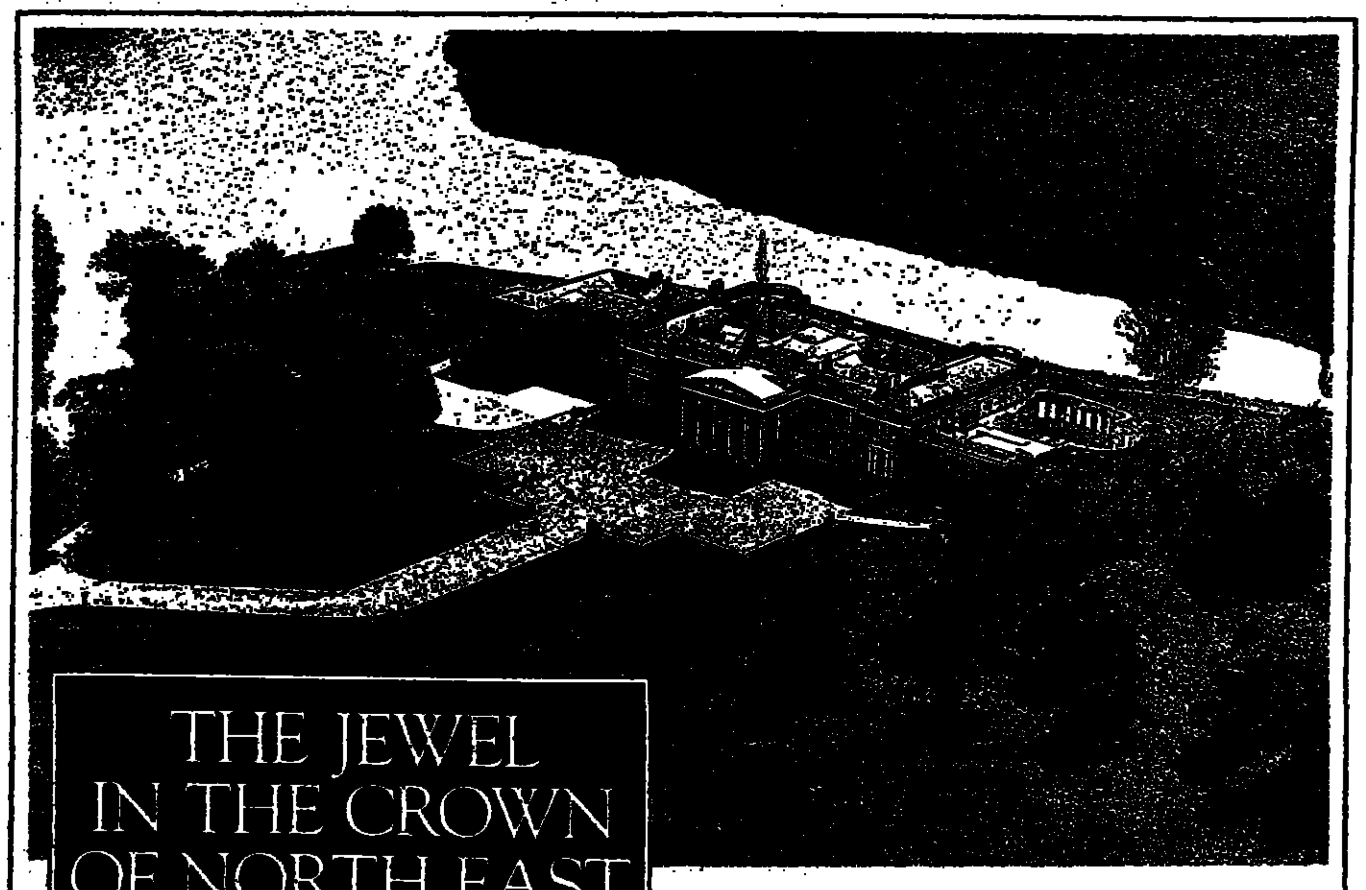
Two housing associations will also be involved in providing residential accommodation, giving a total of 430 homes.

Including housing it is anticipated that 60 per cent of the area will be developed, with some 40 per cent remaining as parkland. Both Shepherd Homes and the housing associations will build a small number of houses to be used during the festival for exhibition purposes.

Mr Copeland sees the main objective as boosting the image of the North-East. He also sees the event as giving a fillip to tourism in the region, pointing to the 100 per cent increase in tourist enquiries in the West of Scotland during the operation of the Glasgow Garden Festival.

Ewart Mann





TYNE AND WEAR 4

THE NEWCASTLE INITIATIVE

Promoting a wider vision

TNI stands for The Newcastle Initiative. The people behind it hope it will play a decisive part in regenerating the city's economy. It was launched last June and is the first of what the Confederation of British Industry hopes will be a network of similar initiatives around the UK.

Although new to Newcastle and the CBI, it is really yet another form of partnership between public and private sectors, examples of which have been proliferating in the UK in the last two years. Some of these have been sponsored by Business in the Community, as in Calderdale, while others have developed on their own, as in Sheffield.

In all cases they exploit the key lessons which have emerged from the US in the last ten years about how urban communities can help themselves when it comes to reviving their flagging economies. One of these is that there has to be significant local decision-making and action for people to see.

At the same time, all parties have to sink their differences in favour of common goals; there have to be leaders; and the leaders must have a wider vision of the community in which they live and operate than their own role in it.

TNI has got off on the right foot by involving heavyweight business leaders such as Mr Chris Sharp, the chairman of Northern Rock Building Society, Mr Graeme Anderson, deputy executive chairman of NEI, and Mr John Ward, the regional director of Barclays, the dominant clearing bank in the area.

Bill Hay, chief executive of TNI

Also on the board is Mr John Hall, the property developer, Mr Joe Logan, of the Newcastle Chronicle and Journal, Mr Nigel Sherlock of Wise Speke, the region's leading stockbroker, and Mr Ron Scott of Storey, Sons & Parker, a prominent surveyors and estate agency.

One of the principals involved in getting the idea off the ground was Professor John Goddard, head of Newcastle University's centre for urban regeneration studies. He, too, is on the board, together with Professor Laing Barden, director of Tyneside's Polytechinic.

The link into the public sector comes through the ex-officio membership of Mr Geoff Cook, chief executive of Newcastle City Council, Mr Alastair Balls, of the Tyne and Wear Development Corporation, Dr John Bridge of the Northern Development Company, and Mr Peter Carr, the senior civil servant who runs the Government's City Action Team for Newcastle.

Although this represents a considerable range of talent and power, TNI will probably have to work hard to ensure that it does not become a co-ordinating talking shop. Putting in money as well as words — or at least persuading others to put it in — is the hardest part, as many other partnerships have found. As Mr Jeremy Beecham, leader of the city council puts it: "It remains to be seen if it will work properly." Dr Bridge, however, points out that of the CBI's attempts to get such ventures under way, Newcastle's is the only one that is actually up and running — suggesting that the time was ripe and that the people involved want to commit themselves to making things happen.

TNI has a chief executive in Mr Bill Hay and a small staff dedicated to working as facilitators, not bureaucrats. This too has been a key factor elsewhere in making partnerships work. They are housed in offices lent by Newcastle Breweries.

Mr David Charles, who works in Prof Goddard's centre, sees TNI encouraging more significant local decision-making. This could be vital for fostering more confidence and self-reliance in a region which has for long been at the mercy of decisions made in London by Government or by owners of branch factories.

The first substantial piece of work it has initiated is an example of where this might lead. This is the West End Theatre Village project, which is near the Tyne Bridge, outside the UDC area, but contiguous with it. The aim is to develop a large city centre patch of arts-led regeneration.

The focal point will be the existing Tyne Theatre but there are also plans for housing, workshops, a Chinatown and wider leisure facilities. The area already contains 2,000 jobs and 600 residents but has a faded look to it that reflects bygone, more successful times.

The substantial persona and clout of Mr John Hall has been put to good use. He went to the Northern region of the Royal Institute of British Architects and got its members to form a 23-member team to brainstorm on the issue in an intensive four-day study.

The team's report came out this month. It sees the main barriers to development as land assembly, local finance, achieving a critical mass of arts-based activities, poor image, congestion, unoccupied or underused buildings, lack of car parking and the rival attraction to potential investors posed by the development corporation.

However, it also points out that most of the infrastructure and ingredients for successful regeneration are already there. What is needed, the report says, is local leadership, a development organisation and "a positive financial framework."

This is where TNI has to come in if it is to prove itself. How it grasps such opportunities — such as by forming a development company for the project, as the report suggests — will be the way people will measure it.

Ian Hamilton Fazey

DEVELOPMENT CORPORATION

A restrained start

IN AN age when accentuating the positive has taken hype to new levels of unbelievability, the Tyne and Wear Development Corporation has introduced a surprising degree of restraint into its publicity.

Sceptics might find it worrying. Well-produced brochures usually prompt the question: "Is this the real thing, or this fantasy?" Unless disbelief is suspended in the Tyne and Wear case, it might be easy to assume that things are in reality worse than stated.

It is the foreword to the corporation's impressive new brochure *Forward to 1991* which *contains the surprises and* points to some of the criticism the new body has been facing.

It says that initiatives announced so far have been seen by some as unrelated, and that some people feel that their part of Tyne and Wear has been slighted because no projects have been announced so far for them.

The corporation responds that the brochure is designed to show how separate initiatives link into an overall strategy, while it urges critics to be patient, even though they may live in an area where social need is greatest.

There are unspoken tensions behind such a foreword. Indeed, it is not difficult to find people in the county who question whether the corporation has yet moved fast enough, though they refuse to be identified publicly because they do *not want to* be seen as rocking the boat.

They make comparisons with other urban development corporations, which appear to be making more of the running nationally and internationally.

The critics also compare leaders — for by the standards of the industrial development business, Mr Paul Nicholson, the chairman, and Mr Alastair Balls, the chief executive, are quiet men. Moreover, they recently lost their more fiery development and marketing director after personal chemistry produced not quite the hoped-for reaction.

Clearly, everything is not as rosy as the corporation might wish, but Mr Balls is well able to stick up for himself. He knows that at the end of the day it will be deeds and *achievement that count, not* sentiment or flamboyance.

At the heart of everything is a need for diplomacy. "We have 24 miles of riverside and are dealing with four local authorities and seven or eight separate communities. Communication is a major task," Mr Balls says.

Much has therefore gone into local promotion, to heighten awareness of the corporation's role and pull people's eyes round towards the same goals. "For the corporation to have an impact it has got to change people's perceptions of what is possible," Mr Balls adds.

Gateshead, the most instantly hostile local borough when the corporation was first mooted, has no part of its area within the corporation's boundaries and has thus lost no planning powers to it. The other local authorities have, but now accept the corporation and its role, though grudgingly and after debate in some cases.

As Mr Jeremy Beecham, leader of Newcastle City Council puts it: "We are stuck with it and are going to work with it. We want to use it to link new employment to the city centre community. The corporation hopes to create 5,000 jobs in the next three years. We shall need to get the training done in time so that local people can fill them."

Mr Balls agrees. "We are trying to make it human and bring in community training and jobs. Our work will have a much wider effect than the riverside," he says.

The need not to develop in *isolation and avoid creating a* riverside yuppiedom is recognised by the special role of Ms Sally Thomas, whom the corporation has made its community development adviser. She is working on grass roots involvement and, hence, commitment.

The range of activities the corporation says it will support includes self-build groups, housing co-operatives, worker co-operatives, small-scale job creation, play areas, community centres, murals, craft workshops and water sports centres.

But apart from smoothing ruffled feathers and promising a wider benefit than that which will accrue to property developers, what actual achievements can Mr Balls show so far? Although only one contract had been signed by the beginning of this month, five flagship projects are well under way and likely to pull in a great deal of private sector money.

These are concentrated in and around Tyneside's natural heartland — city centre Newcastle itself — stretching a mile or so in each direction from the Tyne bridges.

Dysart Developments is prepared to commit £45m to high-specification new buildings in a 60-acre, landscaped business park with views across the Tyne to Gateshead's garden festival site. The work will be in three phases as the market dictates and the park will include offices, pub and restaurant, as well as factories ranging from 5,000 to 40,000 sq ft.

Closegate Developments is building a hotel which will be operated by Copthorne. Mr Balls sent the original design back to the drawing board to get something in keeping with the 18th century ambience of the area — which has high visibility to incoming travellers on the train from London.

Another big project should see riverside warehouses converted into up-market flats, *while Barratt is planning to* spend £25m building new houses on the 14-acre St Peter's site.

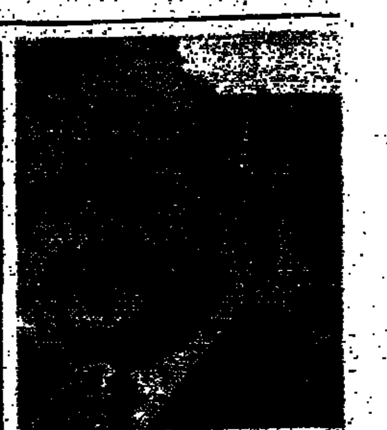
The most senior of the flagship projects will be that on the East Quayside, where Shearwater — the Rosehaugh subsidiary — has formed Newcastle Quayside Developments as a joint company with local developer Stanley Miller Holdings.

They beat off John Laing and Brookmount for the right to spend no less than £108m between 1989 and 1995, creating a complex of leisure facilities, executive housing, specialised retail shops and offices. "These projects mean that we have surpassed our own expectations by securing promises of £250m of private investment in the first 12 months," Mr Balls says.

He will need £22m in his first *year for the public sector pump* priming funds to help get them going. Since this is 10 per cent over budget, it is hard to see how anyone can accuse the corporation of really being slow off the mark, even though most of the deals are still to be finalised.

"Our job is to batten down these five projects and make them happen in the next 12 months," Mr Balls says. The quiet men are getting on with it.

Ian Hamilton Fazey



The Metrocentre's John Hall

Blood rush

continued from page 1

ing a house in a hurricane. Will the cement dry before the walls get blown away?"

Mr Bill Tilmouth, the former chief executive of Washington New Town and now similarly employed by Tyne and Wear Chamber of Commerce, says: "There is still a structural problem, but there are two good signs.

"The first is that everyone is working together to a greater extent than ever I have known and the second is that the NDC is now operating as an efficient professional organisation. If success has to be grabbed we are not going to handicap ourselves excessively."

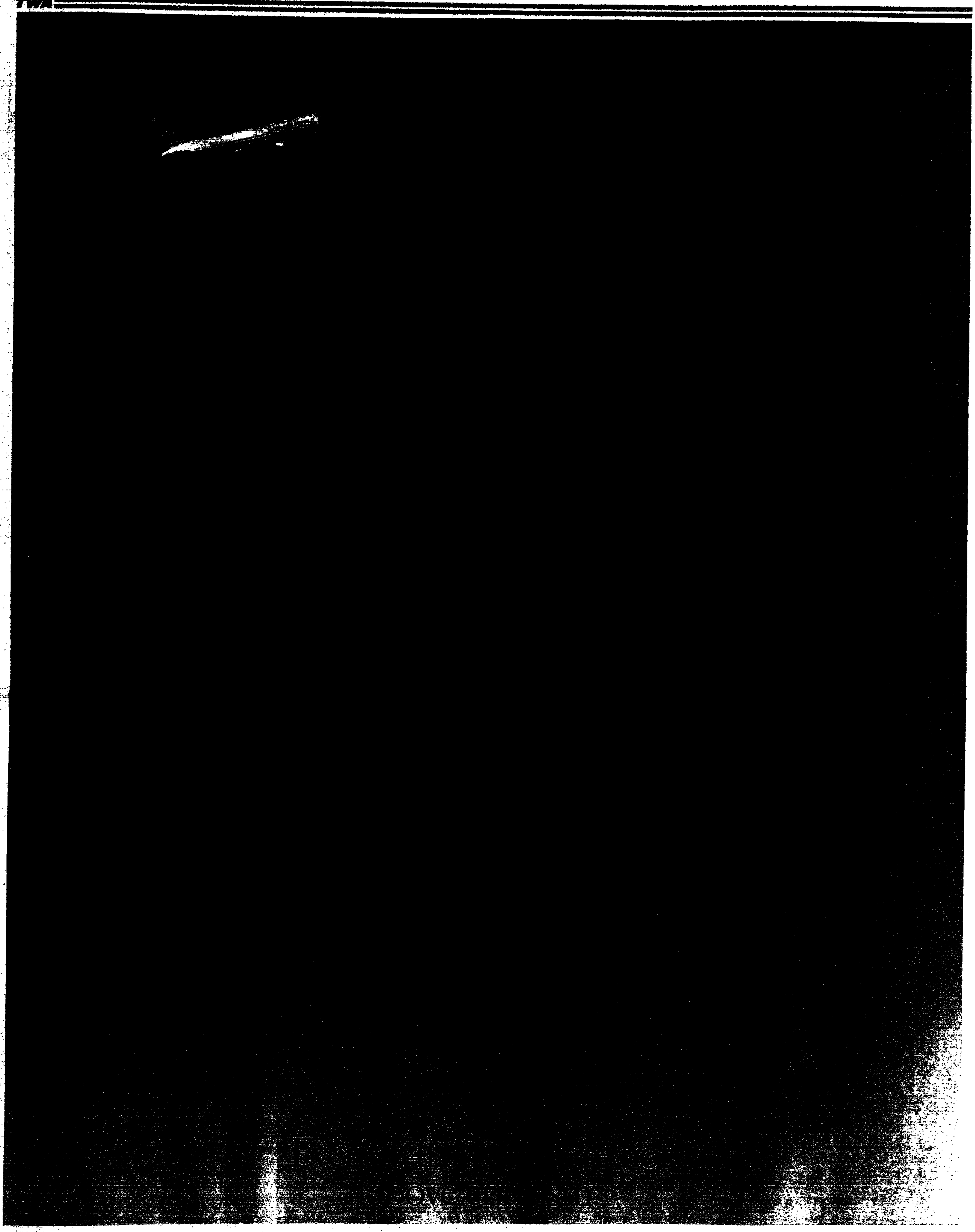
The Newcastle Initiative (TNI), backed by the Confederation of British Industry and all local public sector bodies, is an example of the new-found collaboration.

Moreover, there is a developing, interlocking network of key people on the boards of various emergent bodies, such as TNI, the Tyne and Wear Development Corporation, the NDC and even Northern Investors, the regional venture capital fund.

They include Mr Hall of Cameron Hall, Mr John Barnsley of Price Waterhouse, the largest financial services company in the region, Mr John Ward, regional director of Barclays, the biggest bank, Mr Graeme Anderson, executive deputy chairman of Northern Engineering Industries, Mr Joe Mills of the Transport and General Workers Union and Mr Paul Nicholson, chairman of the Vaux Group.

Indeed, Tyne and Wear seems to be showing that it has recognised the lessons of regeneration learned in US cities in recent decades. Different groups are sinking their differences to unite behind common objectives, leaders are emerging, and the bodies are developing a wider vision of the community than their own role in it.

They still seem to want to make sure that although Tyne and Wear may still need help from outside for many years to come, no one will be able to say that it did not do all it could to help itself.



Taking the lid off scientific initiative

Soviet academics are being asked to provide impetus for economic modernisation. David Thomas reports

Soviet science has contributed too little to the world's stock of scientific knowledge. *In physics, for instance,* it has not been responsible for any recent discoveries of fundamental particles. It is stultified by its large research institutes, which are bureaucratic dinosaurs with staffs of thousands.

This damning judgment was made not by some Western critic, but by Roald Sagdeev who, as director of the Soviet Union's space research centre, has been one of the most influential voices in Soviet scientific and technological policy.

As with other statements coming out of the Soviet Union, its boldness takes the breath away. It may even be making a point through deliberate exaggeration: the Soviet Union, after all, continues to enjoy a world class reputation in disciplines such as physics and mathematics, and the country's scientists provide the underpinning for its space and weapons programmes.

Yet the people who shape Soviet scientific and technological policy have launched a reform programme, guided by the watchwords of perestroika and glasnost – more flexibility and greater openness.

The Soviet establishment is not only having to cope with fears that its objective scientific output is falling behind that of the West. It is also having to deal with a waning of respect and interest among the population – in a country which has traditionally held science and scientists in high esteem.

Professor Juri Vasiliev, rector of Leningrad Polytechnic Institute, an elite higher education body specialising in engineering and science, complains of increasing difficulty in persuading students to study engineering and other technical subjects. The ratio of applicants to places has fallen from about 6:1 in the 1970s to 2:1 now.

Viktor Zubaryev, a deputy education minister, blames young people's increasingly negative image of industry, which they hold responsible for serious ecological problems. The Chernobyl nuclear power station explosion and the impact of industrial effluent on Lake Baikal, which contains more than a quarter of the world's fresh water, have propelled ecological issues to the forefront of national debate.

Partly in response, the authorities are increasing the number of elite primary and secondary schools catering for children showing promise in the sciences. They are also beginning to shift their research priorities to reflect the new social concerns. The Leningrad Institute is establishing a chair in ecological problems, while a new Institute of Ecology is being opened at the Siberian science centre of Novosibirsk.

A recent senior British delegation was surprised by the priorities for collaborative work with the UK outlined to it by Konstantin Frolov, a vice president of the Soviet Academy of Sciences. Frolov named nuclear safety and improving the understanding of management and business techniques as two priorities. But he put the greatest stress on ecological research, even going so far as to propose a joint Anglo-Soviet ecological research institute. The greenhouse effect, water pollution and mathematical modelling of pollution in large cities such as London and Moscow could all be studied jointly, he suggested.

More pervasive is the desire to harness Soviet science and technology to the country's faltering economy. "The Academy of Sciences in the conditions of perestroika sees its duty in sharply enhancing the practical results of its work," according to Guri Marchuk, the academy's president. He has highlighted supercomputers, new materials, superconductivity and biochemistry as typical of the research areas which could help the country's drive for modernisation.

To encourage greater initiative by its researchers, the Soviet Union is pushing through various structural changes.

Members of the Academy of Science now have a retiring age for the first time. When this move was agreed last year, two thirds of the Academy were over 70. Directors of research institutes and universities are now elected by their staff.

The institutes were previously secure in their funding from the centre. Now a system of competitive bids for research grants has been introduced.

Research organisations are being encouraged to carry out more contract work for Soviet industry. Pilot plants are attached to many institutes, allowing them to test the fruits of their research with local industry. At Novosibirsk, each of the 20 research institutes is carrying out up to 10 industrial contracts. They are allowed to keep more of the resulting cash to plough back into the institutes' work and as incentive bonuses for the scientists – known as "sausage money".

More radically still, research institutes are being given new freedom to seek out foreign companies to help exploit their findings commercially. The British delegation was told in Novosibirsk of 200 proposals which scientists there would like to discuss with Western companies, including a clutch of what the Soviets claimed were unique nitrous oxide compounds of potential interest to chemical companies. Professor Vadim Kotov, deputy director of Novosibirsk's computing centre, has toured the US with proposals for joint ventures in software, personal computers and semiconductors.

Barriers to foreign visits and exchanges of Soviet scientists are being gradually dismantled. The number visiting foreign scientific centres almost doubled in 1987 compared with the previous year.

But there are still many obstacles to reform. One is the brute fact that, for all the desire to make the system more flexible, Soviet science is still highly centralised and bureaucratic.

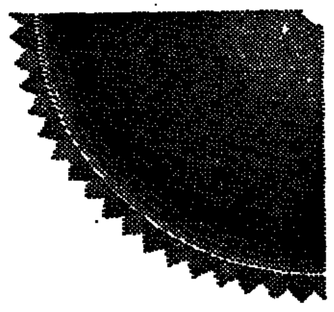
Many scientists grumble that they still cannot keep enough of the fruits of their research. "The director of each research institute spends lots of time trying to find loopholes in the legislation," says one senior Novosibirsk researcher.

Western companies contemplating taking advantage of the new openness still have to deal with the foreign trade agencies in Moscow and negotiate their way through the Soviet Union's desperate shortage of hard currency. This is in addition to distinguishing findings of genuine commercial potential from those infused by wishful thinking: the Soviet system is notably lacking in people used to thinking in commercial or marketing terms.

There is little sign of much improvement to perennial bugbears such as the lack of mobility among scientists and inadequate facilities.

Elite institutes, however, remain sheltered from equipment problems. Carol Williams, a British scientist working at Novosibirsk's Institute of Catalysis, which uses nuclear magnetic resonance machines from Oxford Instruments, says the equipment is similar to that which she used in London and Cambridge.

Soviet ingenuity may also help to overcome some of the more glaring deficiencies in computing equipment. Computer scientists claim they have invented extremely clever software to compensate for their lack of modern hardware. Sir David Phillips, the Oxford chemist who was part of the British delegation, confirms that results at some Soviet elite institutes could not have been achieved without very advanced computing power.



WORTH WATCHING

Edited by Geoffrey Charlish

The dangers of a warmer climate

THE US Environmental Protection Agency (EPA) has indicated that policy makers throughout the world must start considering ways to adapt to the warmer climate that is bound to result from the "greenhouse effect". The US Government agency makes it clear that strategies to reverse the effect "are not currently available."

Carbon dioxide (CO) has been building up in the atmosphere since fossil fuel burning began and there is a surge at the moment due to the burning of Brazilian forest. Population growth also adds to the percentage.

The additional CO alters the heat exchange processes between the planet, the atmosphere and space, raising mean air temperature.

According to the EPA, a projected 3.0 to 9.0 deg F rise in the next century will lead to coastal flooding, as ice melts at the poles; and cause geographical shifts in agricultural production. Farming techniques, water availability and low-lying areas could all be affected. Some regions might become drier, others wetter.

The agency is preparing a separate report on ways to limit emissions of CO and other gases. But it says the US Government will have to spend "hundreds of billions of dollars."

Strategies are likely to include tax incentives to encourage alternative energy sources, better energy conservation and easing the Third World debt burden to minimise the conversion of forest to farmland. A particularly difficult choice will be between fossil fuel and nuclear power stations.

Purely electronic snapshots

FUJI Photo Film, of Japan, has taken the next step forward in still electronic cameras by using a "chip" memory to store the images.

Most Japanese camera companies now have prototypes of these cameras, but the preferred technology for image storage has been a 2.5 inch magnetic disc.

The Fuji camera avoids the moving parts associated with a rotating disc, so improving long term reliability. But the chip memory can hold only five fully scanned images. The company is working with Toshiba on a design that will hold 40 frames.

Eventually, these cameras are likely to oust conventional still film cameras from the market, which is why Fuji, Kodak and Agfa are all actively involved.

For the consumer market, prices – which range in Japan from Y70,000 (£315) for a Sony to Nikon's Y450,000 – are still too high. Users to date are mainly newspaper photographers and other professionals.

Although picture quality has yet to come up to good 35 mm film standards, a strong selling point is the ability instantly to play back the images through a domestic colour television set, eliminating film processing.

Building with polystyrene

POLYSTEEL, a radical departure from conventional building methods, with walls made from expanded polystyrene and steel tubes, has made its appearance in the UK from Canada. The company, also called Polysteel, claims that building costs can be reduced by up to 60 per cent.

The walls and roof can be erected in a fraction of the time taken by conventional methods. The system uses thick, expanded polystyrene panels with channels cut vertically on the inside and outside surfaces. These channels take load-bearing, rectangular section, galvanised steel tubing.

The panels, made to standard or custom sizes, are between 102 and 305 mm thick. When the friction-fit tubing is pushed into the channels, it lies flush with the polystyrene surfaces. The tubes on either side of the panel are bolted together through the wall. The bottom edges of the panels sit in and are sealed to a U-section steel member running the length of the foundation.

As each panel is erected, it is joined to its neighbours with a polystyrene spline. When complete, the first wall is temporarily braced while corner components are installed and work is started on adjacent walls. Doors and windows are easily accommodated.

A possible objection to expanded polystyrene – its flammability – is dealt with by applying cladding inside and out, together with modern additives in the plastic. The company says the system "has passed the necessary UK fire tests."

It plans to exploit the housing market in the UK, as well as commercial building opportunities. With up to 305 mm (one foot) of excellent insulation, the system sets high standards of thermal efficiency.

Cheaper optical recording

PA TECHNOLOGY'S Cambridge laboratory is developing an optical recording medium which uses a photo-thermal effect to allow relatively cheap, high data density recording tape to be developed.

The medium would be recorded by shining a small point of laser light on to the surface in short bursts, producing a series of "digital dots" representing information. The resultant rapid local heating turns the normally blue, almost opaque material to near transparent yellow throughout its thickness.

Present optical recording systems produce surface deformations that are read by reflection. The PA material allows playback by light transmission. If data were recorded in lines across a tape, a suitable line of detectors under the tape could read a line at a time as the tape moves past, giving a rapid data rate.

PA is seeking backing to develop complete systems.

CONTACTS: EPA: US, (202) 382 2090. Fuji: London office, 586 5900. Polysteel (UK): 0384 400123. PA Technology: UK 0763 61222.

Swedish companies are investing heavily in property in many countries within the European Community. **Paul Cheeseright** explains why.

The tip of a Swedish iceberg

Swedish money is flowing into British property investment and development, especially in the south east. Britain is not the only West European destination for these funds. Money is also going into the Netherlands, Germany, Spain and Belgium. But Britain seems the most favoured destination.

It is difficult to quantify the amount of this investment. Robert Windborne-Brown, managing director of the Anglo-Swedish Windborne International, says that over the last year, "we are talking in terms of not less than £500m."

The investments range from the mighty to the small. The Svenska project, near St Katherine's Dock, outside the City of London, where Windborne is a minority shareholder, is the largest overseas commitment ever made by a Swedish company. It is a mixed development, based on offices, and will create 830,000 sq ft of space with a completion value of around £350m.

Next door Stancia, the hotel company in the Ratos group, is planning a £50m project for a 4-star hotel, offices and retail space. It has opened another hotel in the Victoria district of London's West End and has a third opening in Edinburgh later this year.

Less expensively, London and Stockholm Properties has spent £3.5m on an office development in Clerkenwell, near the City of London, and Bergbagen, a quoted Swedish company, has joined the Ashville Group to buy a Bristol offices property for just under £9m.

All of this is the tip of the iceberg. But there are factors behind the export of Swedish capital which affect all the West European property markets. Since January, the Swedish Government has permitted the export of capital for all Swedes except insurance companies. This has released funds which could not find a home in Sweden itself.

The Swedish property market is relatively small but had shown signs of overheating. Mr Windborne-Brown noted that the national infrastructure is well-built and there are limited opportunities for redevelopment. Yields have been getting smaller and smaller.

In fact, yields for prime office space in the major Swedish centres has come down to 4 per cent, compared with the 6 per cent which can be obtained in London, according to Lars Evander of Svenska International, the Swedish merchant bank in London.

The ability to export capital suited pension funds looking for a better return on their capital. It also suited the major companies like Svenska which outgrown the local opportunities.

In a broader context, and this is stressed by those on the Brussels market, Swedish companies are seeking to position themselves inside the EC as it makes an effort to lower internal trade barriers. Sweden is a member of the European Free Trade Association.

Swedish investment is flowing into the UK because it is familiar, and it is concentrated on the south east because many Swedes know this area better than other regions.

Swedish companies are unwilling to say that the underlying strength of the British property market is more important than its negative aspects – the recent rises in interest rates, the escalation of construction costs and the hints of future over-supply on the City of London market.

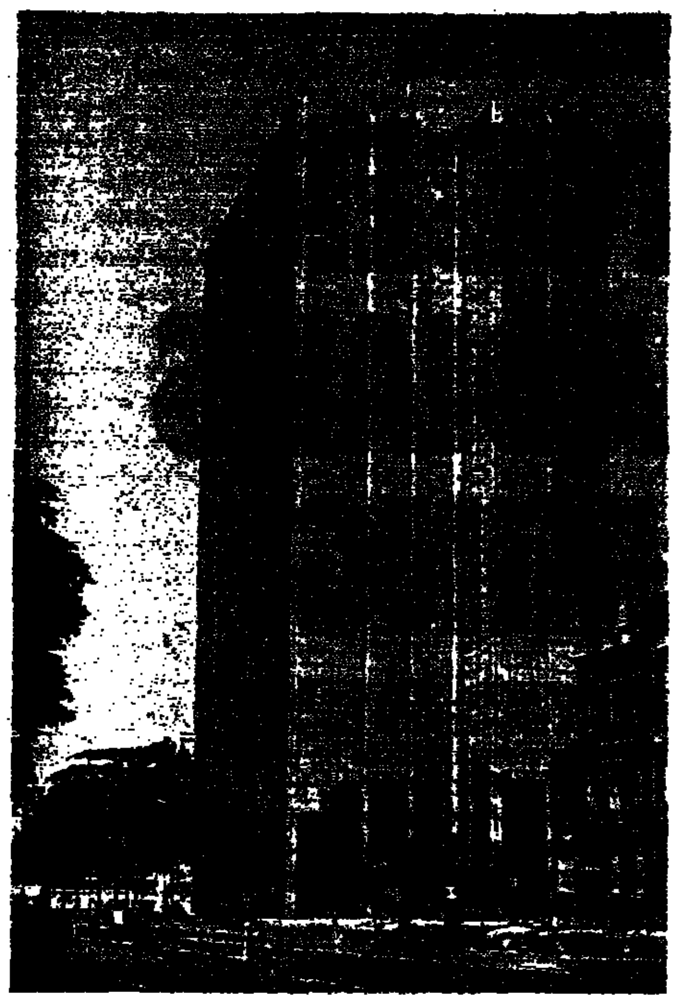
But this is not to suggest that other markets in Europe are not attractive as well. The effects of Swedish investment on Brussels are considered in the accompanying article (right).

One of the attractions of Brussels is that the unit costs are much lower than the UK. It is difficult to imagine an office complex with the space of the Blue Tower – 238,000 sq ft of offices and 100,000 sq ft of car parking – selling for such a low price in London.

Although Swedish exchange controls have been relaxed, the Swedish companies are not using the kronor for their purchases. "Most of the investments are highly leveraged," said Mr Evander. Swedish companies are borrowing aggressively on local markets, sometimes up to 100 per cent.

The relaxation of export controls has allowed Swedish companies to export funds needed for equity, but more importantly, has given them the facility to guarantee the loans they are taking up for their purchases. Mr Evander observed that there is much speculation in Sweden about the scrapping of exchange controls. If this should happen then Swedish insurance companies will enter the market.

"In London we have seen the first wave of investment. The second wave is yet to come," said Mr Evander.



Taking the city of Brussels by surprise

The Blue Tower (left) has dominated one end of the Avenue Louise in Brussels since it was built 12 years ago. It is one of the most striking examples of Swedish property buying in the Belgian capital. Last June it seemed expensive at BFr 2bn (£30m). Now it has been sold by Eurogest of Milan to Granaten, controlled by Mr Hans Thulin.

In another notable sale, the Bishop family and County and District Properties, part of the Costain group, sold Britannia House, the 183,000 sq ft central Brussels office block which houses the British Embassy, to Larmag Investissement, registered in the Netherlands, but belonging to Mr Lars-Eric Magnusson, the Swedish magnate.

David Bouch, who was involved in these transactions for Jones Lang Wootton, the chartered surveyors representing the buyers, estimates that Swedish investment in Belgian property reached BFr 20bn this year. The Swedes are leading the market and have brought yields on office investments down to 6 per cent from 7 per cent, where they were stuck for as long as most people can remember.

The intensity of the Swedish interest took the Brussels market by surprise. Earlier this year, Mr Bouch paid a visit to Stockholm and had 22 interviews with different potential investors. Since then, 16 of the 22 have made property purchases.

But the Brussels property community misjudged the Swedish taxation system. Although earnings are highly taxed, the tax regime favours capital accumulation and there was more money in private hands than was thought. Much of the Brussels investment is coming from Swedish individuals, who act quickly. "They spend two or three days in a hotel, see something they might want to buy, sit down and negotiate," says Mr Bouch.

Locally-based institutions are also active in the Brussels market. Indeed, Victoire-Abeille Paix, the insurance group, has been outbidding Pagoden, the Swedish company, to take control of all the certificats foncier (shares), in a single asset property company which owns a central Brussels office building let to the EC. There is particular interest in this bid because it is the first time in Belgium that an effort has been made to take over a complete issue of certificats foncier.

ARTS

Arts Week

Fr	Sa	Su	M	Tu	W	Th
28	29	30	31	1	2	3

Music

London

Grand Opera Night with the National Symphony Orchestra. Graham Nash conducts, with Marilyn Hill Smith (soprano), Peter Bronder (tenor), and John Cashmore (baritone). Fanfare Trumpeters from the Welsh Guards. Wagner, Rossini, Bizet, Puccini, Mozart, Charpentier, Verdi, Gounod, and Borodin. Royal Festival Hall (Sun) (928 3191 cc 928 8800).

City of London Choir with the City of London Sinfonia. David Cashmore conducts Handel, and Mozart, with Lynne Hirst (soprano), Nicholas Clapton (counter-tenor), Andrew Murgatroyd (tenor), and Jonathan Robarts (bass). Queen Elizabeth Hall (Mon) (928 3191 cc 928 8800).

The Bartok Solti Series with the London Philharmonic Orchestra. Zoltan Kocsis (piano), Klara Takacs (soprano), and Aage Haughland (bass). Royal Festival Hall (Tue) (928 3191 cc 928 8800).

Contemporary Music Network with the London Sinfonietta. Diego Masson conducts At First Light by George Benjamin; Sun's Dance by Colin Matthews, and Airs from Another Planet by Judith Weir and Circles of Light by Robert Saxton. Queen Elizabeth Hall (Tue) (928 3191 cc 928 8800).

The Reluctant Revolutionary with the Goldsmiths Choral Union. Brian Wright conducts, with Nicholas Danby (organ), playing Brahms' Chorale Preludes. Royal Festival Hall (Wed) (928 3191 cc 928 8800).

Leipzig Gewandhaus Orchestra. Conducted by Kurt Masur with Karl Suske (violin) play Mendelssohn's Overture Ruy Blas with Schumann's Violin Concerto in D minor and Mahler's Symphony No 1 Barbican (Wed) (638 8891).

Paris

Ensemble Mosaiques with Christophe Coin conducting Bach, and Haydn. Théatre des Champs Elysées (Mon) (47.23.36.27).

Collegium Musicum of Aquitaine conducted by Michel Moureau, Edson Elias, (piano). Beethoven. Salle Pleyel (Wed) (45.63.88.73).

Vladimir Feltsman, piano. Schubert, Schumann, Mussorgsky. Théatre Des Champs Elysées (Wed) (47.23.36.27).

Orchestre de Paris and the Ensemble Intercontemporain, conducted by Pierre Boulez and Daniel Barenboim as conductor and piano soloist. Schoenberg, Berio, Debussy. Salle Pleyel (Thur) (45.63.88.73).

Frankfurt

The Chinese Radio Orchestra and pianist Riccardo Caramella, conducted by Yuan Fang. Wang Xi Lin, Xia Xinghai and Tchaikovsky. Frankfurt Alte Oper (Tues).

Munich

Munich Philharmonic Orchestra conducted by Wolf-Dieter Hauschild with Arleen Auger (soprano). Mozart, Brahms and Denissow. (Wed) Philharmonie im Gasteig.

Bruno Leonardo Gelber piano recital, Beethoven (Wed) Munchen, Herkulessaal der Residenz.

Berlin

Jazz Festival 88, the George Gruntz Concert Jazz Band, guests: John Scofield, Phil Woods, Dino Saluzzi and Franco Ambrosetto (Wed) Philharmonie.

Jazz Festival 88, Hank Roberts Black Pastels, Art van Damme, Buell Neidlinger's Stringjazz. (Thur), Philharmonie.

Amsterdam

Concertgebouw Orchestra, conducted by Riccardo Chailly in Verdi's Requiem, with vocalists Araxia Davtian, Tamara Sinyavskaya, George Gray and Paata Burchuladze (Thur).

Utrecht

Utrecht Oratorio Society, Dvorak, Verdi, Berloiz (Wed). Recital Hall:

Debussy, song recital. Recital Hall (Tue).

The Colorado Quartet, with Daniel Blumental, piano. Brahms (Wed) (31 45 44).

Rotterdam

The Rotterdam Philharmonic, conducted by Valeri Gergyev, with Paul Crossley, piano: Liadov, Stravinsky, Tchaikovsky. Recital Hall (Tue to Thur) (413 2490).

Vienna

Wiener Bachsolisten, conductor Ernst Wedam. Beethoven, Schubert. Musikverein (Fri).

The Chamber Orchestra of Europe, conductor Claudio Abbado. Ligeti, Rihm, Haydn. Mozartsaal, Musikverein (Fri).

Piano Recital, Maurizio. Brahms, Schoenberg, Beethoven. Konzerthaus (Sat).

Austrian Televison and Radio Orchestra and choir, conductor Michael Gielen. Ligeti, Debussy. Wahringerstrasse 59 (Sat)

Andras Schiff, piano recital. Mozart. Musikverein (Sun).

American String Quartet. Schumbert, Mozart, Beethoven. Konzerthaus (Sun).

Ensemble die Reihe, conductor, Friedrich Cerha. Ligeti. Mozartsaal, Musikverein (Sun).

Wiener Symphoniker and State Opera Choir, conductor Nikolaus Harnoncourt, solists, Edith Gruberova (soprano), Thomas Hampson, (bariton), Brahms. Konzerthaus (Tues).

Haydn Trio. Beethoven, Messiaen. Konzerthaus. Wien Modern. (Tues).

Three Pieces for Two Pianos. Rihm, Ligeti. Musikverein. (Wed)Herbert Gasser, organ recital. Bach, David. St Stephen's Cathedral (Wed).

Alfred Brendel, piano recital. Mozart, Brahms, Liszt, Beethoven. Konzerthaus (Thur).

Rome

Auditorium di foro Italico. "Eco e Narciso". Gabriele Ferro conducting Mahler, Stockhausen and Berio, with soprano Lucia Rizzi and the Electric Phoenix conducted by Terry Edwards. (Sat) (36865625)

Teatro Olimpico: Mozart's quartet in f major, with oboe and clarinet in e flat major with french horn and Mendelssohn's octet in E flat major played by young Italian soloists (Wed) (3962651).

Auditorium in via della Conciliazione: the Deutsche Kammerakademie Neuss conducted by Johannes Goritzki playing Haydn, Mozart, and Reimann. (Fri). Peter Shneider conducting Dvorak's piano concerto in G minor with pianist Justus Frantz and Bruckner's 7th symphony (Sat, Sun, Mon and Tues) (6541044)

Genoa

Chopin's Piano Concerto No. 2 in F minor. Daniel Oren conducting with pianist Boris Block and Brahms's 4th symphony. Teatro Margherita: (Fri, Sun) (58.93.29.)

Milan

Teatro alla Scala, Carlo Maria Giulini conducting Mahler's "Das Lied von der Erde" with tenor Francisco Araiza and mezzo-soprano Brigitte Fassbaender, and Schubert's 4th Symphony (Thur and Fri) and (Sun) a recital by baritone James Morris, accompanied by Robert Kettelson, singing Handel, Mozart, Richard Straus and J. Ibert, and (Thur) Witold Lutoslawski conducting his own works, including the first performance of a new piano concerto. (80.91.26)

Venice

Teatro la Fenice: series of contemporary music concerts "Eco e Narciso" Marchesano conducting H.W. Henze's "Elegy for Young Lovers" with sopranos Walmessly Clark and Julia Conwell, contralto Ursula Burckbart and tenor Christer Bladin baritone Victor Brown and bass Philip Kang (Fri) (5210161)

New York

Philadelphia Orchestra, conducted by Riccardo Muti, Kyung Wha Chung (violin). Dvorak, Sinaky, Ravel. Avery Fisher Hall (Wed) (874 6770).

Vienna Philharmonic, conducted by Leonard Bernstein. Wolfgang Schulz (flute). Beethoven, Bernstein, Brahms. Carnegie Hall (Tue) (247 7800).

New York Philharmonic, conducted by Raymond Leppard, Ida Haendel (violin). Handel, Dvorak, Britten. Avery Fisher Hall, Lincoln Center (Tue).

New York Philharmonic, conducted by Zubin Mehta, Joaquin Achucarro (piano). Mozart, Rachmaninoff, Beethoven. Merkin Hall (Thur) (799 9595)

New York Philomusica, directed by Robert Johnson. Haydn, Zelenka, Villa-Lobos. Kaufmann Hall (Mon) (362 6719).

Mischa Maisky, cello recital. Bach, Schubert, Shostakovich, Paganini. Juilliard Concerts at IBM Atrium (Thur) (427 6000)

Washington

National Symphony Orchestra, conducted by Rafael Frubbeck de Burgos, Christina Ortiz (piano). Falla, Rachmaninov, Beethoven. Concert Hall, Kennedy Center (Thur) (254 3776)

Chicago

Sydney Symphony Orchestra, conducted by Stuart Challender, Shura Cherkassky (piano). Vine, Saint-Saens, Shostakovich. Orchestra Hall (Wed) (435 6122).

Chicago Symphony Orchestra, conducted by Giuseppe Sinopoli. Strauss, Bruckner. Orchestra Hall (Thur) (435 8122).

Tokyo

Czech Philharmonic Orchestra, conducted by Vaclav Neumann. Mahler 9th Symphony (Mon), Beethoven, Dvorak (Thurs). Suntory Hall (505 1010)

Classical Japanese Music. Fukuda Teruhisa (shakuhachi). Ongaku no Tomo Hall (Tues) (235 2115)

Dezso Ranki (piano). Haydn, Beethoven, Schubert. Suntory Hall (Wed) (505 1010)

Garrick Ohlsson (piano). Schubert. Tokyo Bunka Kaikan. Recital Hall. (Wed) (289 9999)

Japan Philharmonic Orchestra, James Loughran conducts with Kyoko Takezawa (violin). Kabalevsky, Prokofiev, Shostakovich. Tokyo Bunka Kaikan. (Thurs) (234 5911)

OPERA AND BALLET

London

Royal Opera, Covent Garden. Madame Butterfly with Ezio Frigerio's marvellous sets. Michael Schoenwandt conducts (Oct 28 to Nov 3). Celebrated Welsh National Opera production of Falstaff by Peter Stein. Richard Armstrong conducts and Donald Maxwell takes the title role. (Sat) (240 1066).

English National Opera, Coliseum. David Alden's surrealist production of Simon Boccanegra. Also in repertory, the new production of La Traviata and The Barber of Seville, an unfunny Jonathan Miller production similarly aided by Della Jones's sparkling Rosina. (Oct 27 to Nov 3) (836 7666)

Royal Ballet, Covent Garden. A new triple bill, with the creation of David Bintley's Trial of Prometheus (Tue, Wed). Other works in the bill are Bintley's Still Life at the Penguin Cafe and Ashton's Rhapsody. Covent Garden. Also Ondine (Oct 28, Nov 1), and a triple bill (Nov 2).

Paris

Opéra. Raymonda, a three-act ballet choreographed and produced by Rudolf Nureyev and inspired by the Marius Petipa version. (Fri) (47.42.53.71)

Théâtre des Champs Elysées. Ballet Royal de Wallonie as part of the Paris International Dance Festival. (Fri) (47.23.36.27)

Opera Comique. Peter Zadek's Lulu crowned by the German critics for its dramatic entertainment as well as for its actors. (Fri) (40.20.51.15)

Vienna

State Opera. Le Nozze di Figaro, conducted by Ion Marin, with Gundula Jankowitz, Sona Ghazarian, Bernd Weikl, Manfred Hemm. Fidelio, conducted by Erich Leinsdorf, with Gwyneth Jones, Gabriele Fontana, Robert Schunk. (51444, ext. 2660).

Volksoper. Die Boeheme, conducted by Ernst Maerzendorfer. Der Zigeunerbaron, conducted by Conrad Artmuller. Einwalzertraum, conducted by Herbert Mogg. *Die Zirkusprinzessin*, conducted by Fabrizio Ventura. Der Mantel, conducted by Dietfried Bernet. Kiss me Kate (Premiere), conducted by Herbert Mogg. (51444, ext 2662).

Berlin

Deutsche Oper. Lucia Di Lammermoor has Angela Denning *in the title role and is conducted* by Stefan Soltesz. Performances of Wagner's Siegfried and Die Walküre produced by Götz Friedrich are sung by Anne Evans, William Pell, Eva Johnsson, Reiner Goldberg and conducted by Heinrich Hollreiser. Die Zauberflöte rounds off the week. Gotterdammerung in Gotz Friedrich's production has a strong cast led by Anne Evans. Die Zuaberflote features Isolde Siebert, Carol Malone, Eva Johansson, Bengt Rundgren and William Dooley and is conducted by Stefan Soltesz. Fidelio has fine interpretations by Sabine Hass, Barbara Vogel, Lenos Carlson, Spas Wenkoff, Gerd Feldhoff and Viktor von Halem. Die lustigen Weiber von Windsor with *Lucy Peacock, Kaja Borris, Hans* Franzen, Walton Gronroos and Rudiger Wohlers.

Hamburg

Staatsoper. Don Pasquale is well-sung by Helen Kwon, Paolo Montarsolo and Kurt Streit. Faust's Verdammis has a star cast led by Dolores Ziegler, Keith Lewis, Franz Grundheber and Harald Stamm. La Traviata convinces thanks to Julia Varady, brilliant in the title role.

Cologne

Opera. Turandot is respectable with Olivia Stapp in the title role, Hubert Mohler (Altoum), Dieter Schweikert (Timur) and Juan Lloveras (Kalaf). Rigoletto returns with Wassili Janulako. Der Italienerin in Algier brings together John Del Carlo, Daria Brooks and Tone Kruse. Rigoletto has Wasili Janolako in the title role, Juan Lloveras (Herzog) and Alida Ferrarini (Gilda). Ein Sommernachtstraum brings together Andrew Dalton, Daria Brooks, Dieter Shcweikart and Francisco Vergara.

Bonn

Opera. Semiramide in Luigi Pizzi's production stars Cheryl Studer, Kathleen Kuhlmann, Jean-Philippe Lafont and Guiseppe Morino. Der Knusseknacker had its premiere this week. It is choreographed by Youri Vamos and stars Marc Wenke, Massino Acri, Joyce Cuoco, Gyorgy Szakaly, and Anna Vita in the solo parts. Last performance of Semiramide stars Cheryl Studer, Kathleen Kuhlmann, Jean-Philippe Lafont and Guiseppe Morino. Norma is revived with a new cast led by Rosalind Plowright in the title role, Florence Quivar (Adalgisa) and Lando Bartolini (Pollione). A benefit Opera Gala rounds off the week.

Stuttgart

Staatsoper. Einstein on the Beach by Philip Glass and producer Achim Freyer is an opera with a strong combination of pictures and music. The rarely-played operetta, Der Karottenkonig, *has Elke Estinbaum*, Urszula Kosszut, Ruth-Margret Putz, Jorn-W. Wilsing and Herold Krause in the main parts. Tannhäuser closes the week.

Frankfurt

Opera. Der Wildschütz takes the leads Julie Kaufmann, Ilse Gramatzki and William Workman. Rigoletto, the first new production of the season, is produced by Jean-Claude Auvray and sung by Anne Dawson, John Rawnsley, Franco Farina and Manfred Schenk. Dido und Aeneas has a strong cast led by Glenys Linos, Valentin Jar, Ulrike Sonntag, Marianne Rorholm and Graham Pushee. Also, William Forsythe's Impressing the Czar.

Amsterdam

The Nederlands Dans Theater, Muziektheater, with Tabula Rosa (Naharin/Part), a new ballet by Nacko Duato to music by Wagner, and Forgotten Land (Kylian/Britten) (Wed). The premiere of the Netherlands Opera co-production with the English National Opera of Mozart's *Magic* Flute (in German) directed by Nicholas Hytner. The Netherlands Philharmonic under Donald Runnicles, with Hans Peter Blockwitz, Dawn Upshaw, and Petteri Salomaa. (Thur) (255 455).

Bologna

Teatro Communale. A co-production with the Teatro la Zarzuela of Madrid of Bellini's "Ipuritani" conducted by Alberto Zedda. American tenor Chris Merritt leads the cast which includes Mariella Devia and Paolo Coni. (Fri, Sun) (52.9999).

Florence

Teatro Communale. Jonathan Miller's production of Wagner's Tristan und Isolde, with sets and costumes by David Hockney. The production is sung in German with Italian surtitles. (Fri, Sun, Thur) (2779236)

Rome

Teatro dell'Opera's ballet company in three works to Stravinsky's music: Les Noces, choreography by Ugo dell'Ara; "pulcinella", a re-working by Lorca Massine of his father, Leonide's, choreography; and ragtime. (Sat, Sun) (46.17.55).

Teatro Olimpico, Piazza Gentile da Fabriano. The ISO Dance Theatre of New York. (Fri, Sat, Sun) (396.58.51).

New York

Metropolitan Opera, Opera House; Lincoln Center. James Levine conducts the premiere of Otto Schenk's production of Götterdämmerung, with Hildegard Behrens, Christa Ludwig and Matti Salminen. The week also includes Il Trovatore with Eva Marton and Giulio Cesare. (362 6000).

EXHIBITIONS

London

The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsman. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy. Ends Jan 4.

The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy *of British art at the age of 50*. It concentrates on the painting rather than the graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends January 8.

Paris

Grand Palais. Vieira da Silva. After Lisbon, Paris celebrates the 80th birthday of the artist who, while born in Portugal, decided to live and work in France. Some 90 paintings are divided into four groups according to themes: scenographies, memory of *azulejos*, forms and colours as musical partitions,density and transparency of colour. Vieira da Silva shatters surfaces into endless geometrical fragments only to recompose them patiently and rigorously, often transforming the use of traditional perspective to express her own visions. Softness is reserved for her choice of colours and for shading by gentle transitions. Closed Tue; late closing night Wed. Ends Nov 21.

Galerie Hopkins-Thomas. André Brasilier charms with his portrayal of the feminine form — decorative and geisha-like — while the Galerie Etienne Sassi shows his ceramics and watercolours. 2 rue deMiromesnil (42.65.51.05) and 14 ave Matignon (47.23.49.38) respectively. Both exhibitions end Nov 19.

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980s. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Vienna

Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty into sacred art. His depictions of the Virgin Mary have looks and temperament which recall Thomas Hardy's tragic heroines. The paintings come from major Italian and foreign museums. Until Dec 8.

New York

Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

Museum of Modern Art. Almost 160 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

Chicago

Art Institute. Paul Ganguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major exhibition of 450 specially designated Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer. Ends Jan 23.

Tokyo

National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straightforward representation of Japanese objects, or an added exotic touch in a conventional portrait — such as Monet's depiction of his wife in a red kimono — to copies of Japanese pictures and scenes from Japanese life. Closed Mondays.

Continued on page 19

CINEMA

Serenely dotty about death

DEATH JAPANESE STYLE
Juzo Itami

CONSUMING PASSIONS
Giles Foster

IMAGINE: JOHN LENNON
Andrew Salt, David Wolper

HANNA'S WAR
Menahem Golan

VINCENT
Paul Cox

A SUMMER STORY
Piers Haggard

CANE TOADS
Mark Lewis

Does Vanessa Redgrave lead a double life as a lustful Maltese widow? Was Vincent Van Gogh a voice-over? Can fast-breeding toads devastate a continent? What do the Japanese do at funerals? And down in Dorset, is there caraway cake still for tea?

Plus: Can two 20th century legends, John Lennon and Hanna Senesh, grow old gracefully despite the attentions of the movie bio-pic industry?

Yes, it is one of Those Weeks. Seven films, seven shellshocked intakes of breath. Film critics who bravely try to theme their columns when possible — as in "This week we have three films about Anastasia (and/or) four movies about living with schizophrenia" — live in dread of such multiple-opening marathons. Attacked by yards of celluloid, one searches for the common denominator in films ranging from a British farce about a chocolate factory to a Dutch-Australian documentary about Van Gogh.

The only common factor, of course, is that every film moves at 24 frames per second: though that is easier to believe in some cases than in others.

Snappiest offering is Juzo Itami's *Death Japanese Style*. The Japanese director's debut feature — his splendid gluttony-opera *Tampopo* was his second film — is a stinging black comedy about death, funeral rites and unravelling social protocol. When a Japanese businessman dies of a heart attack, after dining on avocado and eels, his extended family swoops en bloc upon his country villa. Here, however much they pump up the gravity of their funeral manners, the air is constantly let out by a conspiracy of nature and human nature.

Children get under everyone's feet. (They even bring their homework to the morgue). Grown-ups fail to suppress their own daft impromptus over the coffin. ("His ear is changing colour.") For some the call of appetite — sex and food — defeats the call of self-restraint. And even when the guests do keep their mind on their mourning manners, the result can be serenely dotty, as when they sit down at the undertaker's request to watch a video on the "ABC of Funerals."

As in *Tampopo*, Itami is a comic saboteur working in the gap between Japanese propriety-and-ritual and Japanese lust-for-life. And as in *Tampopo*, his fondest irony is that the twain are never far apart. Even when chaos strikes — a rainstorm during the guests' impromptu motorcade to fetch takeaway food — new, insaner rituals grow from the wreckage of the old. The scene of Chop Suey containers being passed from car to moving car in the sheeting rain is a cross between *It's A Knockout* and the Ben-Hur chariot race. It proves — like the rest of the movie — that Itami is the most gymnastic social humorist in cinema today.

★

Consuming Passions is to gymnastic humor in the cinema what Gerald Ford is to aeroplane steps. Directed by Giles Foster from a playlet by Michael Palin and Terry Jones, this auto-destruct comedy portrays mirth and murder in a chocolate factory. We begin in the style of early Norman Wisdom, wobble into the Boulting Brothers and end up as "Carry On Cannibal."

When three workers accidentally fall into a chocolate vat, their contribution to taste sensation results in soaring sales. So what can whiz-kid marketing manager Jonathan Pryce do — tossing his yuppie forelock and ending each sentence with "Yah?" — but keep finding more humans to put into the recipe?

Also involved as hilarity tries to spiral: querulous boss Freddie Jones, twit employee Tyler Butterworth (son of Peter), Tyler's girlfriend Sammi Davis, and Vanessa Redgrave as a madcap Maltese dance instructress. Miss R typifies the whole enterprise. Crunching out her lines with a toffee-and-broken-glass accent — she sounds like Melina Mercouri on drugs — she vamps away bravely, gets a few grateful giggles, but finally expires, starved of the oxygen of a good script.

★

Imagine: John Lennon, Andrew Salt and David Wolper's documentary about the late Beatle, shows that truth is stranger than fiction and that PR is a stranger to both. Neither the "man" nor the "myth," to borrow the whiskery old trope used in the film's publicity, is clearly focused in this 100-minute image-polish job.

For all the "never seen before" home movies by Yoko Ono and clips of Lennon at work, play and even love, we are shown nothing to dent or inflect the picture of our hero as a minstrel saint torn untimely from the world. The songs, which should speak for themselves, are never allowed to. ("Help" was — guess what — a "cry for help"). And the non-participation of other Beatles further suggests that this is a family occasion only. Nice remarks, lots of flowers, and no one — save a venomous sally from American cartoonist Al Capp which not even Salt and Wolper could resist — to spill vitriol on the carpet.

Hagiography is also the mode of *Hanna's War*. Menahem Golan — the man who brought you *The Delta Force*, *Over The Top* and the Elstree Studios sell-off — now brings you the story of Hungarian-Jewish wartime heroine Hanna Senesh. Miss Senesh died before a firing squad in the last days of World War 2 after refusing to betray resistance secrets.

Though better than it might be — with Maruschka Detmers (Godard's Carmen) an outstanding Hanna — Golan's film still sacrifices power and pungency to a bruising length (2½ hours) and a clutch of semi-crazy cameos. We have Anthony Andrews as Hanna's Scottish C.O, pegging out on the battlefield to ghostly bagpipes: David Warner hissing villainy as a Hungarian hitman for Hitler: and Donald Pleasance doing his deranged-codfish routine as chief torturer. "Speak!Speak!" he screams at poor Hanna, clearly having no more respect for the prisoner's age-old right of silence than our current government.

★

In *Vincent* the week's third real-life legend is brought out from RIP status to face the cameras. Or at least the sound-recorders. Dutch-Australian film-maker Paul Cox (of *Man Of Flowers* and *Cactus*) takes the letters of Vincent Van Gogh and has John Hurt read them out for 1½ hours over images of V.G.'s favourite landscapes in Holland and France.

There are moments of Damascene recognition and revelation. (When Cox blur-whirrs the camera past fields or flowers, the screen comes alive with the painter's tortured stippling and hallucinogenic shimmer). But the final effect is of bombardment-by-genius. Great perceptions are rasped out at great length by an actor whose orotund, born-to-suffer drawl has become, alas, one of the clichés of modern British cinema.

★

A Summer Story is a prettily shot Galsworthy tale, entangling turn-of-the-century yuppie James Wilby with Dorset farm girl Imogen Stubbs. He has sprained his ankle on a country hike, her aunt Susannah York puts him up, the girl and boy fall in love. Pregnancy, scandal and elopement beckon. Will true love conquer all?

This is the kind of movie in which characters usually wear straws in their mouths and mutter, "Arrh, but 'twill come to nought, I vow." They avoid the Mummerset Curse here, thanks to up-grade acting and Piers Haggard's measured direction. Only the framing scenes — Wilby returning to the scene of romance 18 years later wearing the world's worst false beard — smack of ho-hum or hokem. Penelope Mortimer scripted, Kenneth Macmillan finely photographed.

Last and not least, *Cane Toads*. I praised this black-comedy-cum-eco-documentary from Edinburgh, where it had festivalgoers chortling in glee. It's the story of the ugly amphibian introduced into Australia from Hawaii in 1935 to eat the crop-destroying cane grubs. But instead of eating the grubs, it ate and terrorised everything else. And multiplied. As of now, the creatures have colonised Queensland — carpeting highways and over-running front lawns — and are fast moving in on Sydney. Mark Lewis's 45-minute film is part guffaw, part Awful Warning, and it shows at the Everyman Hampstead with another highly-esteemed Aussie movie *High Tide* (director Gillian Armstrong, review next week).

Nigel Andrews

Vanessa Redgrave and Jonathan Pryce in "Consuming Passions"

The Father

COTTESLOE

Strindberg's *The Father*, a bleakly agonised prelude to *Miss Julie*, has been too long absent from the London stage. A disastrous Greenwich revival with Patrick Allen and Vivien Merchant was scant compensation for the appetite excited by distant accounts applauding three of the century's greatest actors — Michael Redgrave, Wilfred Lawson and Trevor Howard — in the role of the maniacally obsessive Captain.

This Adolf is a deranged mineralogist much moved by recent scientific allegations that no father can ever be sure of his paternal status. The three-act piece, given by the National Theatre in the Cottesloe auditorium for an unbroken two hours, is riven with Strindberg's own abusive distrust of his wife Siri, and his scathing disapproval of how she proposed to bring up his daughters.

Its tone of voice is entirely suited to the vengeful biliousness of John Osborne who, working from a literal translation by Jonas Gustafson, ends up with a text of corrosive disgust. In the opening scenes, the servant Nöjd (Stefan Escreet) cannot be sure whether or not he has impregnated a local girl "because so many others have been up there."

In the long term, one hopes Osborne will find renewed sting in his own juices, but the half-way house of translation is one he has often occupied with distinction. David Leveaux's production does him proud, bathing the domestic horrors in the sickly grey light (devised by Christopher Toulmin) of a receding corridor-like arena into which characters stream in a sequence of dazzling transfigurations.

With its plum red retiring arena, totemic military tunic on a clothes-stand, and echoing footsteps that could also be heart-beats, Annie Smart's design has the mythic gravity of the House of Atreus. This matches the gnawing dilemma of Adolf, reeling from doubts dropped in his ear like henbane, whose daughter Bertha (Sarah-Jane Fenton) must either eat him or be eaten. Only the Nurse's intervention prevents an incestuous union at pistol point.

Anton Rodgers was first announced as the Captain but left with the time-honoured excuse of "artistic differences." Alan Armstrong falls on the role like a starving dog on a lump of raw meat. His speeches become longer in inverse ratio to his temper. This Adolf, on the brink of a scientific break-though, is himself in the grip of emotional break-down. Armstrong, a potato-faced actor of headlong emotional intensity, foams and ferments until he explodes. His classical analogising with Telemachus and Penelope, Hercules and Omphale, is, in the true sense of the word, pathetic.

By this time he has been goaded into a strait-jacket by the suggestions of his old Nurse (Geordie-accented Jean Heywood), a process described with brilliant physiological exactitude, a Strindbergian hallmark. The child was a bond in the marriage, now she's a clamp.

Susan Fleetwood returns to the National in spectacular form as Adolf's wife Laura. Much tension derives from her own ambiguous behaviour, drained by the rows and wiping away tears with the backs of hands.

Her effortless ascendancy over the Captain certainly constitutes an unconscious tyranny, so that Armstrong's mysogynist outbursts seem less gratuitous than pathological. Herein lies the evening's disturbing richness.

Michael Coveney

Can-Can

STRAND

Flouncing midinettes prowl the stalls, accosting the more innocuous-looking patrons and shrieking "chéri!" in their Stratford-atte-Bowe French across the auditorium. We know we are in for a show about Paris or even Paree (the natives themselves seem uncertain in the course of the evening). We are also in for some non-vintage Cole Porter, tourist-book oo-la-la and some dance routines whose clumpingly Anglo-Saxon-orientated Gallicism makes the pop number of a few years back, "Jump Up and Down, Wave Your Knickers in the Air," resemble a Schubert *Lied* for depth and subtlety.

Julian More has adapted Abe Burrows' original (New York 1953, London 1954). Terry Parsons has come up with ingenious and lush designs, interiors and exteriors that glide smoothly together, staircases that move across the stage to fit into their rooms. And David Taylor, with much transatlantic experience in these things, directs this story of the initially disapproving judge who falls for the proprietress of Le Bal Paradis after spending the night with her (note the order of things: very practical, the French) and takes her part against the moralising League against Licentiousness.

This is the coach-party view of *la belle époque*, complete with bloomer-discarding prancing and songs like "I Love Paris", "C'est Magnifique" and "You Don't Know Paree." From a better *cru* comes "You Do Something to Me," for which relief merci beaucoup. Handsome spectacle, a would-be frenetic pace that ends up a tenacious jog-trot, and stale French froth: the whole thing is an exercise in cliché (abetted by Kenn Oldfield's choreography) and, depending on your temperament and your expectations, numbingly boring or comfortably reassuring.

The show's main excuse is Donna McKechnie, she of the fabled and Tony-winning excellence in *A Chorus Line*. No more than average as a singer, without much to do as an actress, as a dancer she has drive and style; and sporadically lifts the evening off the ground.

Milo O'Shea does the token Chevalier bit as a mellowed judge with a fondness for what the programme lists as "les filles".

Bernard Alane, remembered from *Bless the Bride*, portrays the younger practicioner of what he refers to as "the low" with the slightly incredulous stoniness of one who has played Molière at the Comédie Française. Jean Michel Dagory displays a genuine comic personality as a Bohemian artist. One day he should play a part that is not a stereotype.

Martin Hoyle

Festival of Sound

WIGMORE HALL

The pun is undoubtedly intentional, but the summer festival in question is held at Parry Sound, on the shores of Georgian Bay in northern Ontario. This is the second time that the Festival has dispatched a contingent to London, and very welcome. What goes on at Parry Sound seems to be much like the annual affair on another northern lake, Kuhmo in Finland: mostly chamber music, informally presented but intensively prepared by performers who are there because they love doing it.

Among the visitants this time are the pianist Anton Kuerti and the clarinettist James Campbell, respectively the founder and the artistic director of the Festival. Like Kuhmo, the Sound favours mixed programmes. To conclude Wednesday's concert (there are two more, tonight and Sunday) Kuerti led the Allegri Quartet in an exhilarating performance of Schumann's Piano Quintet, after delivering Beethoven's sonata "Les Adieux" with knife-edge dramatic sense, and the utmost energy and clarity. Beethoven-playing of this order deserves further London hearing.

Kuerti was also a scrupulous accompanist in Schumann's *Frauenliebe und leben* cycle, in which the young Canadian Jean Stilwell displayed a mezzo-soprano of generous operatic calibre and vivid musical personality. She could do more still with the words, by way of fixing the exact sense of each song; but they all had the resonant crunch of musicianly commitment. And on the strength of her "Parto, parto" from *La Clemenza di Tito*, she ought to fill the breeches-role of Mozart's Sextus excitingly.

Campbell's ruminative obbligato clarinet enhanced that aria, and he also led the world première of a Clarinet Quintet by the senior French-Canadian composer André Prévost, commissioned for the occasion by the CBC (Canada's equivalent of the BBC). Prévost's individual idiom — is now settled, stripped-down and consistent: mildly astringent, atonal but neo-romantic, anxiously bent upon communication — there are no private games in his music. The three concisely fraught movements of his Quintet made their expressive points with precision.

David Murray

Parody alive and well in New York

Frank Lipsius on Forbidden Broadway and the new theatre season

Nothing attests the health of New York theatre more than a sixth incarnation of *Forbidden Broadway*, with its amusing, malicious needling of hit shows. Never mind that half the production resuscitates old numbers and hoofers. The other half covers the recent Broadway season: Joel Grey's production of *Cabaret*, Stephen Sondheim's *Into the Woods*, Patty Lupone in *Anything Goes*, David Mamet's *Speed-the-Plow*, and *M. Butterfly*.

The jibes still strike home, making fun of the actors behind the characters, sending up the commerciality of the successes and ridiculing the losers. Sondheim conducts a sing-along of the theme to *Into the Woods*, transmuted to "Into the Words." Patty Lupone sings, "I Get a Kick out of Me," and David Mamet recites "I strain in vain to train Madonna's brain." If shows like *Into the Woods* and *Cabaret* have already closed, the revival of *Ain't Misbehavin'* is already here as "Ain't Missed a Dinner" in a wicked parody of the rotund cast.

The foursome hit their mark with impressive regularity. Not just the easy targets, like Carol Channing with lipstick all over her face for the revival of "Dolly is a Girl's Best Friend," or a tap-dancing George M. Cohan. Toni DiBuono gets the gestures and sound of Ethel Merman, while Roxie Lucas does Mary Martin so well you assume they look alike until she turns around and does an equally catty Liza Minelli.

The British are parodied in proportion to their success. Cameron Mackintosh is portrayed as Napoleon with dolls and trinkets lining his cape. "Rich people pay 20 bucks for a shirt," sings a waif-like figure from *Les Misérables*, "that has a pauper on it." A buck-toothed Sarah Brightman bellows "When I marry Andrew Lloyd Webber, I'll be the centre of the Phantom craze, And I won't have to show up for matinees."

Creator, lyricist and director Gerard Alessandrini brings the production to the East Side Theatre after five years upstairs in a West Side restaurant. If the change is a sign of joining the establishment, the numbers have not lost their bite. George M. Cohan delivers "Give my regrets to Broadway/ Till some new shows come along," a reminder that the sine qua non of good parody is more hits.

The new season should have some numbers besides "Ain't Missed a Dinner" to contribute to future *Forbidden Broadways*. With musical productions now averaging $5m, no opening is certain. But some, like the two announced Neil Simon plays, can be relied on.

The first of his new plays, *Rumours*, opens in November. This intricately plotted farce with mixups among eight people at a tenth-anniversary celebration sounds in outline like Alan Ayckbourn; the second, *Jake's Women*, has the air of Fellini, with its story of the six most important women in a writer's life. Scheduled for Broadway in April, it will be directed by Mike Nichols and may star Donald Sutherland.

The new season should mark the return of the American musical, or at least the absence of British imports. After the recent disasters with *Carrie* and *Chess*, even *Follies*, once the only scheduled transatlantic musical, no longer has an exact arrival time. The only other import is Peter Shaffer's play, *Lettice and Lovage*, in which Maggie Smith and Margaret Tyzack will repeat their West End roles.

Local television stations are already carrying commercials for *Legs Diamond*, Peter Allen's musical about the notorious 1930s gangster, even though the opening is not scheduled until December. Long in development, Allen stars and provides the songs, but has relinquished the book to Harvey Fierstein, who did the same for *La Cage aux Folles*.

Jerome Robbins' *Broadway Dances*, with a February opening, pieces together two decades of numbers from *On the Town* in 1944 to *Fiddler on the Roof* in 1964. Hollywood continues to inspire Broadway, with musicals in development based on *Meet Me In St. Louis*, *Arthur*, and the life of Mack Sennett *(Mack & Mabel)*.

At this early stage, every season is full of hope, though in the past more productions were already up and running. If disappointment creeps up to smother yet another year's promise, perhaps *Forbidden Broadway* will move to the Great White Way and complete the irony of parody doing better than its subject.

ARTS GUIDE

October 28-November 3

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (588 8891). Oct 28, Nov 4,5,11-15.

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average and traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).

The Phantom of the Opera (Her Majesty's). (839 2244, credit cards 379 6131/240 7200).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years. A genuine classic (437 3686).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina in a mixed bag. (836 8888).

Utrecht

English Shakespeare Company opens its Dutch tour of all the history plays with Richard II (Tue), Henry IV, Part 1 (Wed) and Henry IV, Part 2 (Wed). Stadsschouwburg (31 02 41).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 5030).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about a black chauffeur and his elderly, understanding mistress as the South undergoes sweeping changes that cannot help affecting them. (254 3670)

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who has stolen his wife's affections (254 3670).

Chicago

Romeo and Juliet (Goodman) The season is well underway with Michael Maggio's production set in the Italian section of an American city at the end of the first world war. Michael Cerveris and Phoebe Cates star. Ends Nov 5 (443 3800).

Tokyo

Kabuki (Kabuki-za). Performances at 11am and 4.30pm. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle and stars kabuki's greatest showman Ichikawa Ennosuke III, who plays seven roles and performs his celebrated mid-air stunt, floating over the heads of the audience. Excellent programme and earphone commentary in English. Tickets also available for a single act. For details, enquire at the theatre.(541 3131).

Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company, which specialises in musicals and is 35 years old this year. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

Leningrad

Gorky Theatre. Leningrad in Peter Schaffer's Amadeus (Mon, Tues, Thurs), Uncle Vanya (Wed) Globe Theatre (572 6331). The Bolshoi Drama Theatre, better known as the Gorky Theatre, was founded in 1919 and is one of the Soviet Union's most popular and most innovative companies. Its repertoire is strong on both the classics and on new plays by Russian writers. In recent years its repertoire has been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon.

SALEROOM

Forbes scoops up Reagan

Malcolm Forbes indulged his passion for signatures — and his humour — in New York on Wednesday. Forbes Inc secured the three top lots in what proved to be a record Americana sale at Sotheby's. Robert E. Lee's letter to Gen. Ulysses Grant suggesting a "suspension of hostilities" on April 9, 1865 was scooped up for $220,000, along with Washington's letter introducing the Second Congress to the city that would bear his name ($99,000), and a fragment bearing Lincoln's signature ($88,000).

For a mere $4,400 he also took away two autograph letters from the present President to Doris Lily, signed "Ronnie," which came with what the catalogue described as a "candid" photograph of him and Miss Lilly. The sale totalled $1,412,950 with 13 per cent unsold.

Christie's New York sold Delacroix's spirited small oil, "Christ on the Sea of Galilee," for $308,000 (£175,000) on the same day. His recreation of Romeo and Juliet's balcony farewell, once in the von Hirsch collection, was bought in at $380,000. Boldini's interior of a women with a fan, however, soared to $242,000. In the same sale, Randolph Caldecott's cover design, frontispiece and illustrations for "The House that Jack Built" changed hands at £78,125, a record price for the artist.

English and continental ceramics also sold well at Sotheby's in New York. The strong prices were said to reflect the large number of fine pieces not seen on the market for 20-50 years, but the top lots had in fact made recent auction appearances. A rare pair of large Rockingham hexagonal vases tripled its estimate by going to a New York dealer for $22,000 (£12,475), and a London dealer acquired a rare Bow duck box and cover, of around 1756, for $20,900. The German trade secured a Meissen Chinoiserie coffee pot, 1728-30, for $19,800. Only 3 per cent of the auction was unsold; the total, $916,437.

The German trade and collectors proved more selective in Munich. Over half of Wednesday's sale of 20th century German art failed to sell, 60 per cent to be precise. The only lot to sell much over DM 300,000 was Alexej Jawlensky's "Mountain," painted in 1912, which went for DM550,000. Karl Schmidt-Rottluff's view of a snow-covered village was an unpublished work that had neither been exhibited or seen on the market. That exceeded expectations by selling to a private collector for DM 308,000. The sale totalled DM3,952,960.

Susan Moore

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday October 28 1988

Next steps for Mr Botha

TWO SIGNALS emerge from the outcome of South Africa's municipal elections. The substantial gains made by the Conservative Party, while not as great as the Government may have feared, underline the fact that President P.W Botha still faces a serious challenge from the extreme right; and the generally poor turnout of black voters confirms that the modest reforms of apartheid fall far short of their expectations.

One difficulty the Government now faces is that the Conservatives are in a position to block any changes at the level of municipal administration, such as the multiracial regional councils promoted by the Government. This will make it even more difficult to win over the country's deeply sceptical black majority.

The best response would be a bold one. If, as the state radio claimed yesterday, the polls produce a mandate for "controlled negotiated reform," Mr Botha should now take the initiative. Stressing the unreality of the Conservatives' vision of Verwoerd-style apartheid, he could restore momentum to the stalled reform process by taking steps to dismantle that pillar of segregation, the Group Areas Act, and release Mr Nelson Mandela; he could also initiate constitutional talks with a cross-section of representative black leaders, which must include Mr Mandela.

Parliamentary poll

With the municipal elections out of the way, the next electoral challenge to Mr Botha is the parliamentary election which, although scheduled to take place by early 1990, could be postponed if the Government won the consent of the Coloured House of Assembly. This would be forthcoming if the Government began to dismantle the Group Areas Act.

Sadly for South Africa this is a most unlikely scenario. Mr Botha has made clear that his definition of reform leaves residential segregation largely intact, entrenches the status of the nominally independent homelands, and maintains the racial classification of the Population Registration Act. The danger is that the President's most likely response is to conclude that if modest changes to apartheid fuelled the growth of the extreme right, more fundamental moves would spell electoral disaster.

It would be understandable if a post-election review leaves the ruling National Party alarmed, notwithstanding the optimistic gloss on the results which is being offered by ministers.

Tipping the balance

An initial analysis of the municipal outcome suggests that, if these results were repeated in a general election, the Conservatives could more than double their present 23 seats in the 178-seat parliament. On the face of it that might not seem too alarming, but only a few more electoral percentage points could tip the balance, bringing the extreme right close to a parliamentary majority, or, assuming the liberal rump survives, to a hung parliament.

Given this challenge to the National Party, its supporters might ask why President Botha should implement radical changes which carry the real risk of losing office, either in 1990 or at a later date.

The answer is that white South Africa has no peaceful alternative. A combination of demographic factors (the ratio of black to white will be 8 to 1 by the turn of the century, having been 4.5 to 1 in 1980), the increasing power of black trade unions and the black consumer, township rebellion and a faltering economy are eroding white power.

All this may be lost on the Conservative Party, clinging to a vision of apartheid that abuts on lunacy. An increasing number of ministers appreciate the pressure the country is under, but President Botha has yet to provide the direction and vision the country needs. If he really believes he has won a mandate for change, the coming months offer what may be a diminishing opportunity for the National Party to bring it about.

Profits from privatisation

THE SUSPICION that the taxpayer's interest has sometimes taken second or third place to the British Government's wider objectives in the privatisation programme is bound to be reinforced by the Public Accounts Committee's criticism of the sale of the Royal Ordnance factories. In particular the Ministry of Defence's failure to explore fully the redevelopment potential of factories whose closure was under consideration before the sale to British Aerospace looks at best naïve.

Even if the Auditor and Controller General was right to conclude last year that the Government probably secured the highest price compatible with its self-imposed deadline for the sale, it is important that the lessons are properly digested. Not least, this is because such future privatisation candidates as water and rail are large property companies in disguise.

The committee's main criticism relates to two Royal Ordnance sites at Waltham Abbey and Enfield in the Greater London area. Closure had been discussed before privatisation in both cases, although only the Waltham Abbey closure was agreed before the sale. The sites had been valued in 1984 at a total of £3½m and are now alleged to be worth anything up to £400m as development land.

Development potential

It is notoriously difficult to put a value on property development potential. In an ideal world the Government would have waited until planning consents had been granted in order to establish a basis for realistic valuation. While it is true that the Government had other legitimate interests to pursue in the privatisation which caused it to impose a tight timetable, the size of the potential values involved suggests that it should not voluntarily have turned itself into a forced seller. The PAC is right in recommending that in any similar sales in future planning consents should be obtained before offers are invited.

Given that the Government went ahead with its sale, the question arises whether the Ministry of Defence, the directors of Royal Ordnance and their respective advisers took adequate steps to ensure that they extracted a good price. Here the PAC is justifiably concerned at the ministry's failure to look into the redevelopment potential, to obtain a valuation based on that potential or to pass on information to outside bidders about the value of property that was likely to be sold.

Standards of disclosure

Royal Ordnance itself was more acute, in that it had made a planning application for one of the two sites before the sale. But it has to be said that the company's own standards of disclosure in the annual report before privatisation left something to be desired. According to the directors' report (which is not, strictly speaking, covered by the auditors' judgment on truth and fairness) land and buildings were worth £94m more than their historical written down value of £68m. This surplus was described as being the existing use value on a depreciated replacement cost basis, which follows the guidelines of the Royal Institution of Chartered Surveyors for specialised properties still in use. But the fact that an alternative use was being considered suggests that some indication of value on an open market basis would have been desirable.

Similar questions are raised in the sale of Rover Group to BAe. But it does not follow that the taxpayer necessarily lost in relation to the property assets in either case. The Royal Ordnance sale was, in effect, an auction. The bidders were reported to include Trafalgar House and Heron, which are among the biggest property developers in the land. It seems highly unlikely that the property values were not thoroughly appraised by such groups. With Rover, the Government's decision to exclude potential foreign bidders such as Ford Motor Company is likely to have been far more damaging to the taxpayer's interest than any failure concerning property values.

A sound safeguard for the future, meantime, is for the government to ensure that privatisation candidates adhere more closely to the RICS guidelines than some have done in the past.

John Plender assesses how the City of London will fare after 1992

Towards a bigger Bang

For some people in the City of London the single European market belongs in the rather peculiar generic file that contains subjects like devolution, VAT and pensions: arcane specialisms of passionate concern to a very limited section of the populace, which are generally best ignored.

It is a comfortable perspective, but one which could prove expensive since London's future as an international financial centre will henceforth be influenced as much by what emerges from Brussels as from the UK government or the various regulatory authorities in London. The competition faced by individual London-based financial institutions will also be shaped increasingly by European Community directives.

For people in the banking and securities business, 1992 so far turns mainly on the Community's draft second banking directive and the proposed investment services directive, which are the subject of heated debate in Brussels and London. These are primarily liberalising measures designed to spark off a series of Big Bangs across Europe. But while the main City representative bodies broadly favour the process, they fear that London's competitive edge in international financial services could become a casualty of political in-fighting over these and other directives to come.

At first sight this seems odd. London's markets, like those of New York and Tokyo, are part of a highly competitive tri-polar world which has known no frontiers since capital controls in Britain and Japan were relaxed at the turn of the decade. In contrast, continental European markets have been heavily regulated and very parochial. Capital markets have played a subsidiary role to the banks in the post-war financing of industry in such major economies as West Germany, France and Italy; capital controls have been lifted more slowly there. Why, then, are senior executives in London's better-informed banks and securities houses worried?

The short answer is that the British financial community well understands both the impact of deregulation and the process whereby business migrates from one financial centre to another. The biggest single reason why the Euromarkets settled in London was that the US imposed regulatory and tax constraints on US banks' international activities, thereby providing an incentive to move off-shore. And one of the main reasons that the business came to London, instead of Paris or Frankfurt, was that the authorities in London operated an open-door policy for foreign banks, together with a very light regulatory regime.

That openness is now under threat from Brussels, where the European Commission is determined to use the development of the single market to strengthen its arm in trade negotiations. Last week the Commission declared that it would be premature to grant non-EC members automatic access to the benefits of the newly liberalised single market before the Uruguay round of the GATT establishes a new regime for trade in services. Until then the Commission reserves the right to make access conditional on reciprocity, which greatly upsets London-based financiers.

Reciprocity is 'a missile aimed at Tokyo which will land in New York and explode on Capitol Hill'

According to John Heimann, the former US Comptroller of the Currency who now heads Merrill Lynch's executive committee in London, the reciprocity weapon is "a missile aimed at Tokyo which will land in New York and explode on Capitol Hill." In other words, it has the capacity to precipitate a nasty trade dispute between the US and Europe. Inadequately managed, this could damage London's pre-eminent position in the European time zone, if non-EC financial institutions are suddenly excluded from London markets. The Community's move to majority voting means that the UK government's ability to protect the interests of its financial services industry, which accounts for a far greater share of domestic employment than in most other Community countries, is impaired.

Another senior official of a big US investment bank, who prefers to remain anonymous, argues that behind the Europe versus Japan and America tussle lies a more devious game: France, which takes a hard line on reciprocity, is battling to wrest supremacy in European financial services from the UK. The relative position of Paris against London might be improved in the course of the battle. And there is a more general concern in the City that Mrs Thatcher's preoccupation with sovereignty has undercut Britain's ability to help shape the future structure of Europe's monetary system.

The Commission has now dispelled some of the immediate fears of the London financial community by declaring that reciprocity will not operate retrospectively: only new entrants will be caught after the implementation of the two directives. It has also indicated that it intends to operate on the basis of national treatment; that is, it will not expect the US or Japan to adopt legislation identical to Community legislation — only to permit EC firms to operate on the same basis there as domestic firms. And reciprocity will be discretionary rather than automatic, with the Commission making a political judgment about when and where to strike.

Non-EC firms will no doubt rush to secure their position in Europe before the key directives come into force. But that still leaves a measure of uncertainty about how reciprocity powers will ultimately be exercised. And on top of these worries, British-based firms are concerned about the disappearance of the lightly regulated framework that brought so much business to London in the first place.

The principle of home country control adopted by the Commission means that financial institutions will be granted a single passport to operate throughout the Community mainly on the basis of rules in their home country. This will probably result in lax financial regulation in southern Europe being raised towards the more stringent standards of northern Europe. But if the average level of regulation is substantially below the demanding requirements of Britain's banking and financial services acts, especially in relation to capital adequacy, there will be a risk of regulatory arbitrage. London-based firms could be threatened by less heavily regulated competitors on their home patch.

Mr David Walker, chairman of the Securities and Investments Board, has argued that there will be no exodus of business from London and that it is naïve to assume that other Community centres will not themselves adopt responsibly high standards. At the same time he sees a need to make the SIB rule book more pragmatic, with a clearer distinction between the rules for private clients and professional investors.

Practitioners have nagging doubts about the outcome. Sir Michael Butler of Hambros, who heads a European committee of the British Invisible Exports Council, is not alone in arguing that the balance between home and host country control of financial institutions has not been properly thought through. He believes that the Financial Services Act may require amendments to cope with the problem.

Worries about unfair competition are particularly acute for the International Stock Exchange, which is conscious that European bourses are no longer as parochial as they used to be and that Paris is being transformed by its own Big Bang. The exchange is concerned that the draft second banking directive has reached a more advanced stage than the investment services equivalent, with possible harmful consequences for its non-bank members. It is lobbying to have the capital adequacy requirements for non-banks brought in at the same time as those for banks.

Most of the big non-EC securities firms do not want to see a dash for regulatory laxity. Keith Clarke, an executive director of the Japanese securities group Nomura International, says the view from his firm is that complex markets must be regulated; but that if London ends up disadvantaged by relative over-regulation, the firm has a problem. Most American investment bankers argue that they already live with stringent home country regulation in the US and believe that a move to the lowest common denominator would be bad for business.

But according to Andrew Stewart-Roberts, a vice chairman of the British-owned merchant bank SG Warburg, the whole logic of 1992 is that business should move to the place in the Community where it can be conducted most efficiently. There is no escape from regulatory arbitrage, he adds, or from some relaxation of the rules in London. Everyone seems to be agreed that the question is how much.

No firm will move out of London on the basis of regulation alone. The directives are also at too early a stage to precipitate dramatic action. Nor is London at any disadvantage to France and West Germany on stamp duties or the taxation of expatriates. Nomura is one of many that see no real alternative to London in continental Europe. Mr Clarke echoes a widely held view that the infrastructure and skills are not yet available on the Continent; and he emphasises the advantages of the English language in London.

What the regulatory anomalies may do is to accentuate an existing trend whereby securities trading is becoming more centralised while sales are more dispersed. Warburg, for example, has sent some of its sales people who used to deal in French stocks in London back to Paris, while keeping the market makers in London. Merrill Lynch expects to do more trading in continental European centres under the control of a chief trader in London, while the sales function gravitates to where the client is.

The single market is, of course, about opportunities as well as threats. In a world where cross-border financial activity is bound to increase, the internationalism and sophistication of London-based — though not necessarily British — firms should give them a competitive edge. A US investment bank with a pan-European staff argues David Roche, a managing director of Morgan Stanley in London, is more European in outlook than most domestic European banks.

The experience of Big Bang has generated a feeling in London's financial community that those who fail to move fast will lose out. But as Malcolm Levitt, a partner in management consultants Ernst & Whinney points out, there are enough uncertainties about 1992 to make a major acquisition strategy difficult at this stage. The financial services directorate in Brussels might welcome the emergence of mega-banks to compete with US and Japanese giants; but the Commission's competition watchdogs may feel otherwise.

Yet the 1992 ethos has been so infectious that many firms are already locking up capital in strategic cross-border share stakes as a down-payment on future opportunities. This is ironic. For as Hambros' Sir Michael Butler remarks, no one has considered properly the question of how to create a single European market in companies, one that would reduce the differences in takeover practices.

If London's Big Bang is any guide the winners in the short run will be the consumers of financial services. Companies at below multinational level will enjoy better access to cheaper funds; individuals will contribute less to bloated profits in retail finance. But for the financial institutions themselves, the competition will be very tough indeed.

City bodies fear that London's competitive edge in financial services could become a casualty of political in-fighting

Alan Harper

City of London: stepping into a future shaped by Brussels

OBSERVER

New London partners

■ Accolades all round for the London office of Goldman Sachs: three of its members have been made managing directors of Goldman Sachs International Ltd, which is what the London end of the operation is called. Even more striking, the same three have been made partners in the parent firm, Goldman Sachs & Co.

The promotions are clearly a signal that the New York office takes its international business very seriously. One of the last of the large private partnerships in Wall Street, Goldman Sachs has not made such appointments before.

The honours have gone to Gavyn Davies, the chief UK economist, David Morrison, chief international economist, and Michael O'Brien, who built up the foreign exchange department. O'Brien has been at the firm longer than either of the others and has the most direct experience in banking. Davies used to be economic adviser at No 10 Downing Street in the days of Prime Minister Callaghan. Morrison, who started at the Bank of England, has a habit of moving the exchange markets when his papers are published. His essay on Sterling policy and Sterling's prospects sent the pound shooting up last May.

Davies has also accepted a visiting professorship at the London School of Economics. He will give a series of lectures on UK macroeconomic policy. They will subject him to academic scrutiny which, he says, "is not necessarily superior to City scrutiny, but certainly different."

Rotten eggs

■ Ornithologists visiting the Falkland Islands have been horrified to discover that one component of the local diet is penguin eggs: pleasant enough to eat, though the whites stay translucent when you fry them.

Consumption offers no threat to the survival of the species. Indeed, the birds probably outnumber the islanders by 100 to 1. But to the "twitchers" (birdwatchers) a penguin egg is an object of scientific study, not an item on the luncheon menu.

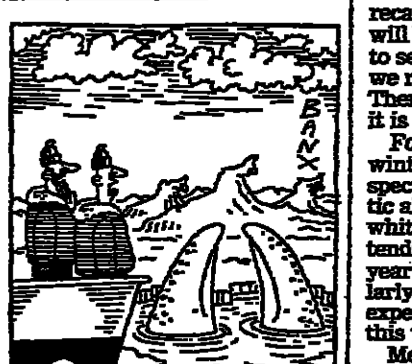
This has created problems for Graham Bound, the head of Falklands Tourism, who is very keen to attract ornithologists and has adopted the slogan: "The Falkland Islands — where nature is in charge." He wrote an article in the local newspaper, which is called Penguin News, advising that the "outdated" custom of eating the eggs be given up.

That in turn has generated a barrage of local criticism. The Falklanders will not change their ways.

Whisky & sumo

■ The year 1992 may be important, but do not overlook 1991. For it is to be the year when sumo wrestling physically descends on London: at the Royal Albert Hall, no less. It will be the third sumo exhibition tour to a major Western capital, following New York and Paris, and a centrepiece of events commemorating the centenary of the Japan Society.

Sponsorship of the tour, on which the sumo association insists, does not come cheap. Some 40-50 sumitori, averaging perhaps 325 lbs a head, plus trainers, supporters, cooks, hairdressers, tailors and so on do not fit easily into the economy class section of a single jumbo. Nor does the physical paraphernalia, including the ring itself, its canopy, and special dirt for its floor. Thus it is notable that the UK underwriter is the British Distillery Association — presumably in another attempt to persuade Japan to reform its taxes on imported whisky.



"That reminds me — I wonder how Bush and Dukakis are doing?"

Foggitt foxed

■ A dearth of squirrels in the Thirsk area is hampering the weather forecasting powers of Bill Foggitt, the 75-year-old weather sage who is still smarting after having predicted a balmy summer. "If squirrels early start to hoard," he says, "winter will strike like a sword." He has not seen one yet, so is unable to make any predictions on this basis.

Foggitt is putting less store on the natural signs and more on his weather records when making forecasts nowadays. There was a time when he would consult a strand of bladderwrack hanging by the door every day for signs of rain. "The last gale took it away and I haven't bothered to replace it," he said.

He is, however, showing interest in the unusually mild October. "The maximum temperature has been consistently above 60 deg F and the average minimum has been around 52 deg F and we haven't had a frost. I cannot recall a milder October so I will be examining my records to see if this is the best when we reach the end of the month. There are four days to go and it is getting colder today."

Foggitt is predicting a colder winter than last, but nothing spectacular and he is pessimistic about the chances of a white Christmas. "The rainfall tends to balance out over the year and it has been particularly wet this year, so I don't expect to see much snow about this winter," he said.

Meanwhile he is keeping an eye on the Soviet Union. "We had bad winters here in 1812 and 1941, and we know what happened then in Russia. One finished Napoleon off and the other stopped Hitler in his tracks."

Grosz pledge

■ Nearly all political leaders stay too long, whatever their initial intentions. Here, however, is a firm pledge from Karoly Grosz, the Hungarian General Secretary and great admirer of the British Prime Minister. Grosz says that he will remain General Secretary only until the next party congress in 1990 and will depart altogether around 1991-92. The reason is that he does not want to repeat the mistake of Janos Kadar, who stayed for over 20 years and had to be forced out.

Grosz made his statement to Paul Lendvai, whose book — Hungary: The Art of Survival — was published by I B Taurus yesterday.

Fading glow

■ The glow-worm conversation continued: "How is your youngest?" "Oh, dear, we are having problems. He was arrested at a barn dance for arson, but he managed to wriggle out of it."

POLITICS TODAY

Playing with green fire

By Joe Rogaly

If Mrs Margaret Thatcher means what she says about the environment she should create a new agency under a committed new minister. Is she serious? She has certainly been eloquent.

"No generation has a freehold on this earth," the Prime Minister told the recent Conservative Party conference in Brighton. "All we have is a life tenancy – with a full repairing lease." Her tone should be contrasted with that of her present works manager, Mr Nicholas Ridley. "The difficulty with the Green lobbies," the Environment Secretary said at a Bow Group meeting in that same week, "is that they see it as a religion, while I see it as a science." So does Mrs Thatcher, but she knows when not to sound dispassionate. "It's we Conservatives who are not merely friends of the earth," said she, neatly snitching the title of one of the most well-known green lobbies, "we are its guardians and trustees for generations to come." Mr Ridley, for his part, believes that "making the environment a political vote-catching exercise would be nothing short of irresponsible."

It is therefore hardly surprising that so many Conservatives, including some of Mr Ridley's colleagues, have been shaking their heads and saying that he is not the man to convince worried voters that the Government really cares about acid rain, pollution, dirty rivers, the greenhouse effect, or the hole in the ozone layer. This may not matter now that the Prime Minister has herself taken up the exercise of political vote-catching. Even so, the betting is that in next year's reshuffle Mr Ridley will be moved.

Some will say that this is unfair. Donning her green mantle, Mrs Thatcher has talked about cleaning the industrial rivers of the North and Midlands, reducing use of the gases that attack the ozone layer, cutting down the emission of sulphur and nitrogen oxides from power stations, and the like – but most of it is just a recital of the Environment Department's work under Mr Ridley's management. The nub of the matter is whether Mrs Greenmantle has been signalling a shift to a new intensity of concern for the environment, or whether she has merely been making more populist speeches than Mr Ridley can.

The Environment Secretary must believe the latter, for he said in Brighton that "there is no question of . . . some sort of 'conversion'." The Government had been steadily working towards the objectives set out by the Prime Minister. "Her speech will enable us to press these initiatives with greater force . . ." His colleagues take a larger view. "She really has got the bit between her teeth," says one. "It's not just talk, it's a statement of serious intent," says another.

The question is – intent to do what? If you think about it, Mrs Greenmantle may need not only a different secretary of state to promote her environmental vision, but, if she is sincere, a new machinery of government to put it into practice. Let me explain.

As to Mr Ridley, the general complaint is about his image, period. It is not hard to find defenders who insist that he is an effective departmental minister, from the Government's point of view. He has put through the poll tax; wrestled local government to the ground, presented a seminal housing bill and prepared the way for water privatisation. When it comes to the environment itself, he is proud of his hard-headed, scientific approach. To many people the essence of environmentalism is still protection of the countryside from developers; Mr Ridley has met the suburbanites and villagers of the south-east head-on with economic arguments and an explanation of the planning process. He is weak on the long-term and unquantifiable disbenefits of reducing the acreage of green fields, and he seems to be temperamentally biased in favour of development, but his methodology is rational.

There is, however, another meaning to environmentalism. Since the Chernobyl disaster British public opinion has begun to move towards a more American or continental European preoccupation with the destructive effects of industrial development. Mr Ridley has met this head-on, too. The way he sees it, anyone can make emotional declarations about this or that ill-effect of this or that industrial process, but a responsible minister must insist on scientific evidence and follow it with rigorous economic analysis. Only then can he decide whether to support a particular programme of conservation, cleaning-up, or whatever. Each proposition needs to be decided on its merits. He acknowledges that there are rare cases where precautionary measures should be taken before proof is absolute.

This sounds all fine and dandy, but the Europeans in general and the green lobby in particular see it another way. Britain, they say, has been dragging its feet in most international negotiations. It has usually bid for the lowest degree of stringency in any particular regulatory proposal, whether it comes from the European Community or elsewhere. Mr Ridley's list of achievements contains some that are too little, as on control over lead in petrol. Many are late, as with the exclusion of dangerous metal outfalls from factory sewers. Perhaps he has the wrong advisers. Mr Jonathon Porritt, director of Friends of the Earth, seems to think so. Faced with an allegation that something is hazardous, he says, British scientists, tend to ask "where is the pile of bodies?" They then require irrefutable proof that the corpses have been killed by exposure to a specifically *British* pollutant. So says his new book, The Coming of the Greens, written with David Winner.

Historians will have to wade through a great many details to discover who is right about past practice. My impression is that Britain's recent record is embarrassingly poor, but that it has been improving of late. If there have been brakes on progress they have had as much to do with internecine Whitehall struggles as with chauvinistic scientists, or growth-and-be-damned Thatcherites. For 93 per cent of the Department of the Environment is really concerned with housing and local government; its tiny environmental appendage has been able to make proposals, but powerful opponents have thwarted or delayed them. The Department of Energy held up plans to curb emissions from electricity generating plants; the Ministry of Agriculture has defended the farmers' use of nitrates; the Department of Trade and Industry has received the private companies' lobbies. The Department of the Environment seems to have swallowed the motor industry's protestations against the fitting of catalytic converters without any assistance.

Mr Ridley does not appear to recognise the existence of private sector lobbies and private company cosy relationships with other government departments. His response to ministry protection of *public sector* industries has been to promote the principle of arms-length regulation. His water bill will provide for a national rivers authority with power to remove licences from companies that transgress. The effect will be purer water, at a cost, one gathers, 10 per cent higher in real terms than is incurred today. The message, that greenery is not free, is plain.

Electricity is another expensive matter. The Prime Minister is trying to persuade the country that nuclear power is safer than the burning of coal, oil and gas, which contributes to the greenhouse effect. Chernobyl will make her case difficult to pursue; the problem of disposing of nuclear waste will make it even harder. In a curious reversal of roles the green lobby is arguing that nuclear power is too costly while the Government is beginning to say that everything else is too dirty. The Department of the Environment does not appear to have the clout to make a decisive contribution to this particular debate, which is so momentous that probably only Downing Street can hope to make any headway.

It would be assisted if there were a minister of Cabinet rank whose sole departmental client was the public interest from the environmental point of view. (Room could be made. The Departments of Employment and Trade and Industry could be merged, with the Department of Energy thrown into the pot. There would be two vacancies at the Cabinet table). Such a minister would get nowhere unless he or she was rigorous, scientific, and mindful of the imperative of growth – but the department would, from the start, represent its client. It might also foster open public debate about the major issues regarding the environment, as, in the US, the Environmental Protection Agency did with last week's report on the greenhouse effect. A like body could not easily be transplanted to the British polity; a green department might be the best high-level answer.

For Mrs Greenmantle has started something whose destination even she may not comprehend. The environmental case is felt most strongly by politically aware young people. At the far edge many of them find it impossible to reconcile continuous growth with protection of the planet. Like Mrs Thatcher, Mr Ridley disagrees. "It is not necessary to go back to living in caves, to hair-shirts and peat fires . . . for mankind to survive as a species," he says. He quotes the conclusion of the commission under the chairmanship of the Norwegian Prime Minister, Mrs Gro Harlem Brundtland, that sustainable development – growth plus protection of the environment – is possible.

The question that remains to be addressed by the British Government, as by all EC governments, is, how much development? How much growth? The debate will go on and on and on. Mrs Thatcher has brought it out of the closet. It will not go back.

LOMBARD

Car phones on the gravy train

By Hugo Dixon

This week's flotation of Racal Telecom has highlighted the fact that the cellular telephone business is extremely profitable. In fact, profits are about to become excessive.

Racal Telecom was only able to achieve a valuation of £1.7bn because of forecasts that its operating profits would leap from £80m in the current financial year to £350m in 1993/94 – implying a return on capital of 100 per cent, about five times the market average.

In a normal industry, such a return would be an irresistible temptation for competitors to set up rival services, undercut prices and steal market share. Cellular telecommunications, however, is not a competitive industry but a duopoly. Apart from Racal Telecom, only Cellnet (a British Telecom subsidiary) is licensed to offer a service.

There is not enough competition in this market because its key resource, the radio spectrum, is so scarce. The air waves are needed for a great variety of other purposes – television, radio, defence communications – and so only a small portion has been allocated to cellular telecommunications.

The operators can fit only so many phones on to their part of the spectrum; if they tried to cram in more, they would end up with disgruntled customers. This is already happening in London, where the air waves have become so congested that subscribers cannot make calls when they want to.

The operators therefore know it would be foolish to engage in a price war, the only result of which would be to reduce profits and overload their public relations departments with complaints. Much more sensible, then, to keep their prices high – and watch the profits rolling in.

What is rational for Racal and Cellnet, however, is not necessarily rational for the UK.

Although the operators should be allowed to keep those profits which are the result of their own investment and entrepreneurial flair, they will only be able to make triple-digit returns because they have been given exclusive use of a valuable resource. The air waves belong to the community at large. The excessive profits generated from their successful exploitation should therefore be returned to the community.

There are three main ways of doing this; two bad, one good. Forcing prices down – the method used to prevent BT from earning monopoly profits on mainstream telephone services – would simply lead to excessive demand and angry customers. Fixing a maximum rate of return – the US method of regulating monopolies – would remove any incentive for operators to cut costs, because they would know that, however inefficient they became, profits were guaranteed.

The best solution would be to auction off the radio spectrum. This would have the benefit of raising revenue – an annual rental fee of £100m for each operator would seem about right – without resulting in either congestion or inefficiency.

The Government should auction all parts of the radio spectrum, not simply that used for cellular telecommunications. It would then have an objective yardstick for allocating the air waves between competing services. A secondary market, in which companies bought and sold radio channels freely, would be a further improvement; this would enable companies which had misjudged the demand for their services to recoup part of their investment.

Undoubtedly there would be squeals of pain if such a system were implemented. The television companies might only be able to afford enough of the spectrum to transmit one channel – or the armed forces might be unable to justify spending billions of pounds each year for the large chunks of the spectrum now occupied for defence purposes.

But the discipline would be healthy, because whichever organisation was prepared to pay the most would have shown that the community places a higher premium on its services than on its competitors'.

LETTERS

Barlow Clowes

From Mr E.D. Davis.

Sir, Reading about the Barlow Clowes affair, I am left wondering about two things:

Would you say I have a claim on my licensed bookmakers for a losing investment I made on a horse in the Ayr Gold lap race which they themselves sponsored? And have they any claim on me for a profitable investment I made on a horse named So Careful in the same race?

E.D. Davis,
16 Trinity Drive,
Holme,
Carnforth, Lancashire.

Pay TV viewers must be treated as consumers

From Mr Terence Le Poer Trench.

Sir, Mr Rose wrote an excellent letter offering a solution for pay TV (October 17). However, I found that I could not agree with his argument, nor could I find any relevance or place for the solution in the real world.

With pay-TV the viewer has to be considered, or treated, as a consumer. As soon as he or she makes the "buy" decision to pay for the product (channel/programme) he is then "included," as Mr Rose puts it. But until that moment he and all other viewers are excluded, regardless of the cost.

By definition – by the very nature of pay-TV – it is extremely capital intensive and wholly speculative. It doesn't take a rocket scientist to conclude that high risks and high returns are possible if the supplier gets it right. The laws of supply and demand and required operating margins apply to pay-TV just like any other product.

So I must ask: where else is there a scheme by which, after the sale, the consumer at some possible later date would expect to receive reimbursement because demand has increased?

To businessmen, surely the wisest decision has to be that any such money is re-invested in the service. Furthermore, Mr Rose's argument is actually incomplete; what if the number of subscribers fails to achieve the forecast level? Then of course, the contract should provide for a premium that is retrospective . . .

I rest my case. Others can decide whether or not Mr Rose's idea could be considered, in his words, a "true market solution." But I conclude that is not the case, because academic economic theory has been confused with practice in the real world.

Terence Le Poer Trench,
27 Thornhill Road,
Surbiton,
Surrey.

Retirement costs in the US

From Mr Keith Wallace.

Sir, It was slightly misleading to print Mr Louis Kleber's letter (October 25) under the heading "Beware of poison pills". A poison pill is a device consciously entered into to deter predators.

US medical costs do not meet this description. US corporations have offered free medical cover to their pensioners. The costs are frightening – and growing – and the cover has become a legal liability.

Both the US and the UK have introduced accounting standards under which pension costs are to receive more accurate reflection in company accounts. But in the US, post-retirement medical costs need only be shown when paid - despite the fact that the liability is being stoked up as the workforce earns its entitlement.

If US accounts on post-retirement medical care had to mirror the treatment of pension costs (as they ought in all logic to do) the necessary balance sheet provisions would be so large as to suggest insolvency in some cases. Management, bankers and investors – as well as predators – should beware.

US medical costs are not a poison pill: a poisoned chalice possibly, though I suggest "time bomb" would be more vivid.

Keith Wallace,
Richards Butler,
61 St Mary Axe, EC3.

Wider issues emerge in the UK beer industry

From Mr John L. Marshall MP.

Sir, Your article about the bid by Elders IXL for Scottish and Newcastle (S&N) Breweries (October 24) unfortunately ignored two of the chief issues involved.

The first is Elders' gearing.

If Elders were to use British accountancy methods, then the bid could result in a company with gearing of well over 200 per cent. The problems associated with high gearing are only too obvious. The primary objective of management ceases to be investment in job creating opportunities, but rather becomes the reduction of debts. That this may not be in the public interest was demonstrated by the decision to refer Goodman Fielder's bid for Rank Hovis McDougall to the Monopolies and Mergers Commission (MMC).

Second: the whole beer industry is currently the subject of an MMC reference. A merger between S&N and Courage would create a major new force in the industry, with at least 20 per cent of the market.

Such a move would scarcely enhance the competition. Surely it would be illogical for the MMC to investigate the structure of the industry – but not to be asked to investigate a merger which would affect the structure of the industry?

John L. Marshall,
House of Commons,
Westminster, SW1

City markets re-evaluated a year later

From Mr David Smyth.

Sir, A year after the market crisis, it is interesting to re-evaluate – returning to first principles – the role of the City and its institutions.

The original purpose of the Stock Exchange was to provide a medium whereby companies could raise money from investors in a controlled way, within a framework of sensible regulations. Does this still exist?

It is possible to claim that this purpose has been completely lost sight of in the merger market following de-regulation. Access for the small investor is via an intermediate operator – a bank, a unit trust and so on. All these are subject to the pressures of a volatile, rumour-led market.

The small company needing capital to expand has no practical access to the market. Both the main market and the so-called unlisted securities market are hedged about with written and unwritten rules which prevent the market serving its original purpose. A closed circle of solicitors, accountants, merchant banks and other advisers who control access to the funding required deal with new aspirants to a listing. In practical terms, a company will have to be able to spend at least £250,000 to raise any capital. This removes, for 90 per cent of all British business, any possibility of attracting investors

The money holders – pension funds, insurance companies, banks, investment trusts – have gained access to an enormous percentage of the available funding. This has inevitably led to a situation where rumour is king.

In how many quoted companies has the stock market valuation any relation to either the asset value of the company or the current trading level? What does it mean in the real world when a columnist writes: "Share prices fell back when the results, showing a 10 per cent improvement in turnover and profitability, did not meet the market's expectations"?

Reality has fled when the most exciting markets are not operating in a real commodity like a company share, but in artificial markets dealing in options to buy something intangible at a future date, or, even more absurdly, in an option to buy an option. Is any purpose, other than the transfer of wealth from one already wealthy institution to another, served by these markets?

There is no stability inherent in the structure. We saw this a year ago, with most of the pundits pointing out that this was at most a technical re-adjustment. Was it?

David Smyth,
Teleconnect Holdings,
2 High Street,
Aylesford, Kent.

FINANCIAL TIMES
Friday October 28 1988

Hungary steps down the capitalist road

James Blitz, recently in Budapest, analyses the problems of implementing Eastern Europe's most ambitious and far-reaching package of economic reforms

EVERY Monday morning at about 10 o'clock, 30 Hungarians congregate in a room on the first floor of a Budapest office block. They sit at a long rectangular table, each clasping two pages of statistics. A chairwoman stands up and calls into a microphone to start proceedings.

This is Budapest's stock exchange.

The recent inauguration of a stock market is part of a package of reforms that may change the face of Hungarian socialism. And the future of these reforms will be closely observed in the communist world, not least in the Kremlin.

Hungary has been the outstanding pioneer of economic reform in the East bloc, ever since Mr Janos Kadar, the former party leader, introduced the New Economic Mechanism in 1968. In recent years, Moscow has set great store by the country's example, especially since a number of recent Soviet reforms, such as those in agriculture, were first kindled on Hungarian territory. Mr Gorbachev and the Hungarians *share the same goal: the introduction of Western-style reform that does not compromise the party's leading role.*

Hungary's results so far have been mixed. The New Economic Mechanism has ended the principle of direct central planning and has given enterprise managers some room for initiative. A degree of private enterprise has been permitted.

But in practice, the reform has only brought change to agriculture and to the retail sector, both of which have flourished. In industry, state subsidies remain excessive and the Government has continued to prop up factories that would otherwise have gone to the wall. Taxation levels are astronomical.

But there is change on the horizon. In the next few weeks, the Hungarian Parliament will vote on what could be the most ambitious economic reform undertaken in the East bloc. It is a two-pronged programme that on the one hand will reduce state subsidies and increase the liquidity of the economy; and on the other, it sets up some of the financial institutions familiar to capitalism.

On the first count, Parliament passed the Law on Associations earlier this

Rail cars at the Raba factory: the state takes 80 per cent of profits

month, which Hungarian economists say has an importance it is difficult to exaggerate. It legislates for the setting up of joint stock companies, allows them up to 500 shareholders and the same number of employees. Until now, the maximum number of employees permitted has been 30.

The law gives private entrepreneurs the opportunity to raise capital from a variety of sources, ranging from the next door neighbour to one of the half dozen lending banks set up recently.

The legislation is most welcome to Mr Zoltan Csomai. He heads an "innovation centre" in the north-east town of Miskolc where he finds financial backing for private firms at the embryo stage. "There are 15 companies here that have been waiting to raise capital under the new Associations Law," he says. "So far people setting up companies have mainly had to invest their own money in ventures but this law provides a much wider opportunity."

The law is also important to Hungary's leading enterprises. Several management boards have already liquidated themselves and issued a 100 per cent share flotation. Skala, Budapest's largest department store, was until recently owned by the state. It is now owned by a group of agricultural co-operatives. *Medicorp*, a large company manufacturing medical instruments, has also undergone a 100 per cent flotation and is attracting foreign shareholders.

There is, however, very little chance of widespread share flotations unless there is a huge reduction in the level of subsidies and taxation. All the Hungarians have done so far is set up the capitalist institutions without giving people much capital.

Consider, for example, the case of the Raba factory in the western town of Gyor. It is one of the largest producers of railroad cars in Hungary, but last year about 80 per cent of its profits were deducted by the state. The company's management team say they have great difficulty investing in their own plant, without even considering whether they can buy shares in any new venture.

The Government says it is determined to tackle the problem. According to one of the Politburo's leading reformers, Mr Rezso Nyers, state subsidies to both industry and the consumer should be cut by half over the next three years. The subsidies currently stand at about 200bn forints ($3.8bn) or 20 per cent of GDP. The aim is to reduce them by 35bn forints each year until now and 1991.

Will this really mean that factories will close and workers go on the dole? That has always been a key ideological problem for socialists, but Mr Nyers acknowledges that some ailing industries will no longer receive the same degree of support. Mr Nyers estimates that about 50,000 workers will be laid off in 1989, although many will find jobs again in a country where "moonlighting" remains the norm.

There will be pockets of acute unemployment, however. Take the Lenin Metallurgy works at Miskolc, one of the 10 largest industrial complexes in Hungary. Its manager, Mr Laszlo Drotos, has been forced to restructure the company of 14,000 workers in the face of poor demand for steel products and the determination in Budapest to cut subsidies.

"We used to say we would guarantee full employment to the region," he says, "but now politicians are saying it is the duty of the enterprise to ensure efficient employment." He thinks that half the workforce could be laid off in the next two years.

Such measures would allow the Government to reduce taxes, and already Mr Nyers has forecast a cut of 6 per cent in personal income tax in the forthcoming budget.

The three-year plan is nasty medicine for the Hungarian people to swallow. A cut in subsidies will mean price rises, and unemployment is totally unfamiliar to the workforce. "In the short term, we will have to manoeuvre against public opinion," says Mr Nyers. Such words are not spoken lightly after the Polish Government's experience with similar policies this year.

But reform mania is strong, especially in the capital itself. The hurdle of socialist ideology is one that has been greatly surmounted. The talk of Budapest officials teems with bond markets, joint stock companies and share ownership.

It raises the question of how exportable Hungary's economic revolution can be, especially with regard to the Soviet Union. Hungary may find itself one day too much in the bosom of the West to be an example to the rest of the East bloc, whose reforms are some way behind.

The hope is that Hungary will pioneer a reform that is not too radical to be unique.

Pretoria to press electoral reform plans

By Anthony Robinson in Johannesburg

SOUTH AFRICA's ruling National Party is expected to press ahead with plans to bring blacks into the central government and give financial muscle to multi-racial Regional Service Councils following the party's success at Wednesday's segregated municipal elections.

President P. W. Botha first revealed the Government's plans in a speech to Parliament in April. But concern about a possible strong Conservative Party advance in the municipal elections kept implementation on the back burner.

Despite gains in Pretoria and in depressed mining towns around Johannesburg the Conservative Party failed to make its expected clean sweep of the Transvaal and Orange Free State and fared particularly badly in Natal and the Cape.

Mr Chris Heunis, Minister for Constitutional Development, described the elections as heralding "the next phase in the process of democratisation." He added that "through these elections and future developments such as the national negotiating forum, black participation up to the highest level would become a reality."

Describing the elections as "a victory for those who wanted an extension of democracy," Mr Heunis appeared to brush aside the disappointingly low black poll, especially in key areas such as Soweto, the black city next to Johannesburg with a population of nearly three million.

In Soweto, the Sofasonke Party led by Mr Ephraim Tshabalala, the 80-year-old former mayor, swept to victory, winning 29 out of 35 seats on an 11.5 per cent poll.

Five sitting councillors were returned unopposed together with one independent. Mr Nelson Botile, the Mayor of Soweto, was among those to lose his former seat.

The pattern of low polls and high absentions was followed in many townships on the East and West Rand in protest against what many blacks see as rigged elections under a state of emergency during which opposition leaders have been effectively banned.

The Five Freedoms Forum, a civil rights group, claimed that only 1.5m of the 26m blacks outside the homelands were registered voters and calculated that only 0.13 per cent of the black population had voted.

Young defends UK policy on mergers

By Nikki Tait in London

LORD YOUNG, Britain's Secretary of State for Trade and Industry, last night defended the UK Government's policy towards corporate mergers, claiming that it showed "a remarkable degree of consistency."

He stressed the Government's belief that the principal consideration in evaluating whether a merger should be referred to the Monopolies and Mergers Commission should be the potential effect on competition in the UK.

He added that as Secretary of State he retained the power to make a reference on public interest grounds, but said that such cases were exceptional.

Lord Young's speech comes after a series of referral decisions over the past six months which have badly wrong-footed the City of London. These include, on one hand, the decision not to refer the Nestlé bid for Rowntree; on the other, the referrals of the Kuwait Investment Office's 22 per cent stake in British Petroleum, the leveraged bid by Australasian food group, Goodman Fielder Wattie, for Ranks Hovis McDougall, and, this week, the offer by Minorco for Consolidated Gold Fields.

Critics of current merger policy have maintained that policy was becoming confusing and capricious and that political considerations appeared to have a bearing on key decisions.

Speaking last night at the London Stock Exchange's "Conference for Industry" in London, Lord Young hit back. "Our policy, far from being the thing of shreds and patches its detractors would claim, does show a remarkable degree of consistency," he claimed.

The starting point, he suggested, was that "the market should be allowed to 'get on with it.'" Interference should only occur when the outcome "will not be in the best interests of the economy." Lord Young reaffirmed the Government's stance – first set out in 1984, and confirmed in its recent Blue Paper on merger policy – that the effect on competition in the UK should be the primary consideration in referral decisions.

He added that the "political bolt-hole" argument involved a misundertanding of the referral procedure – in particular, the role played by the Director-General of Fair Trading.

Details, Page 9; Lex, Page 22

US to rule on fate of rice trade complaint

By Nancy Dunne in Washington

MR CLAYTON YEUTTER, the US Trade Representative, is in the political hot seat today as he prepares to announce the future of the first major trade complaint filed against Japan under the 1988 trade bill.

The complaint, filed by the Rice Millers' Association against Japan over its rice protection measures, seeks an agreement with Tokyo to allow rice imports from the US to rise by 2.5 per cent a year over a four-year period.

The usual political pressure swirling about most trade complaints has been intensified in this case because it coincides with the final stretch of the USpresidential election campaign.

By law, Mr Yeutter has 45 days to accept or reject a petition – the deadline is today – and then two years to seek a negotiated solution under the General Agreement for Tariffs and Trade (Gatt).

Mr Yeutter rejected a similar petition in 1986. He urged the industry to withhold the latest complaint, filed in September, saying that Japanese officials had assured him that their rice policies would be negotiable during the current Uruguay round of Gatt talks.

Texas and California, states rich in votes for the presidential contest, are also the most prominent rice growing states. Legislators from both states are supporting the rice growers and both presidential candidates have mounted the bandwagon.

Japan's lobbyists have brought heavy pressure on the US State Department for a favourable decision, pleading for moderation at a time when *Emperor Hirohito of Japan* is ailing.

Newspaper editorials have also urged restraint. One in the Journal of Commerce warned that "challenging the icons of another society is a surefire way to escalate a routine disagreement into an emotional struggle for national survival..."

Zenchu, the Japanese Central Union for Agricultural Cooperatives, has threatened to retaliate by switching some of its meat and grain business to US competitors.

Early this week the Rice Millers warned that it might take legal action against the Zenchu for allegedly violating US anti-trust laws and trying to blackmail other US commodity groups into opposing the petition.

Howe warns on 'charity'

Continued from Page 1

properly, and was not an appropriate recipient of Western charity.

Help of the wrong kind would not solve Mr Gorbachev's internal problems and could conceivably damage the West's interests. It might even remove some of the incentives for making necessary changes in the Soviet Union.

Sir Geoffrey cautioned that, even if Mr Gorbachev's reform programme was implemented, people in the West should not expect that a political and economic system like theirs would emerge from it. Mr Gorbachev's purpose was not to overthrow the one-party system, but to improve its effectiveness. It should also be recognised that it would be a long time before political and economic changes in the Soviet Union were so well entrenched as to become irreversible.

Taiwan gold purchases

Continued from Page 1

the gold purchases."

In fact, the economist noted, Taiwan's exports to the US as measured in US dollars increased by only 1 per cent in the first eight months of the year – and in terms of Taiwan dollars dropped by 12 per cent – while experiencing double-digit growth to non-traditional markets in Europe and Asia. "This should make it clear that there has been a radical shift in export markets by Taiwan," he said.

In spite of the ending of gold purchases by the Government, Taiwan still looks set to emerge as the world's largest market for gold this year.

In addition to the central bank purchases, the private sector bought another 130-odd tons in the year to September and analysts estimate that at least a further 50 tons reached Taiwan through "underground" channels.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Rio de Jo	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	Faro	[illegible]	[illegible]	[illegible]	Manila	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Florence	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Frankfurt	[illegible]	[illegible]	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]	S. Francisco	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]	Funchal	[illegible]	[illegible]	[illegible]	Miami	[illegible]	[illegible]	[illegible]	Seoul	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Geneva	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Gibraltar	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Glasgow	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Guernsey	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Helsinki	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	H. Kong	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	Nassau	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Islamabad	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Jakarta	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Jo'burg	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]	Lisbon	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]	Prague	[illegible]	[illegible]	[illegible]	Wellington	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Los Angeles	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]								
Corfu	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]								
Dublin	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]								
[illegible]	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Delay upsets junk bonds

Continued from Page 1

and Dillon Read, denied reports it had pulled the issue, but said it had dropped plans to price the bonds this week. The firm said it was talking to the Campeau interests about a restructured deal.

First Boston and the other underwriters have been facing growing discontent among institutional investors at Federated's high leverage, complex organisational structure and management changes. They complain about a poor retailing environment and Mr Campeau's lack of big-store experience.

In addition, bonds issued by Mr Campeau's first major US retailing acquisition, Allied Stores, have fallen sharply in price since they were issued in early 1987.

Mr Mark Bachman, a senior vice-president at the Standard & Poor's rating agency, said: "My personal feeling is that this is a very complicated structure Mr Campeau has set up with Allied and his other companies. And this is a deal that even five years from now, the debt burden is going to be enormous." • •

THE LEX COLUMN

A sanguine view of the trade gap

If the UK trade figures for September had been anywhere near as good as they looked at first sight, the pound should have jumped by considerably more than 2 pfennigs. At DM3.1425, it is still well below its level on the eve of the Chancellor of the Exchequer's Mansion House speech last week; and while the reasons for its subsequent sharp fall now look increasingly silly, the sheer scale of the erratic items in the latest figures, combined with unease about the accuracy of the seasonal adjustments, meant that even the Government felt it necessary to issue a health warning on the figures.

After all, it was not so long ago that a £560m ($974m) current account deficit would have sent sterling into a nose-*dive; and after adjustment* for the various funnies in the latest figures, the real deficit is probably still running at over £1bn a month. Over the last three months, import volumes are up by 6¼ per cent over the previous quarter, while exports are unchanged. The gilt edged market may have sensed that the UK economy is slowing down, the current account deficit is on the mend and interest rates have probably peaked, but there are various technical reasons why its enthusiasm seems overdone. For equities, a declining growth rate combined with increasing wage pressures is not an ideal climate, unless interest rates are going to tumble shortly; and if the Government's anti-inflationary stance is to be taken seriously, this is scarcely likely.

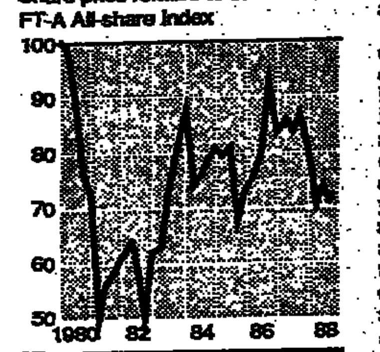
Meanwhile, Wall Street and the dollar are sending off worrying signals which London *cannot ignore. Admittedly,* US economic growth did slow in the third quarter. But the acceleration in consumer spending and the dollar's nasty wobble over the last three weeks have bearish implications for interest rates. It is not the best time for some of the more highly-leveraged US deals to begin to unravel.

Merger policy

With the best will in the world, the market's likely response to Lord Young on merger policy is that it would believe him if it could. The thesis of last night's speech was straightforward; there is no political aspect to the policy, and the much-reviled argument on public interest scarcely ever applies. In bids such as RHM and Gold Fields, all the investor need do is read the mind of Sir Gordon Borrie,

ICI

Share price relative to the FT-A All-share Index



in accordance with stated principles on competition, and in the assurance that Lord Young stands as an impartial bulwark to shield the Office of Fair Trading from Westminster.

In fairness to the argument, the system is not to blame for the market's mistakes. Investors got the Rowntree and RHM bids wrong from top to bottom, not only because of their assumptions on official policy. The BP/KIO judgment, too, can perhaps be defended as a special case, since it was a rare deployment of the public interest argument. Where the thesis tests credulity is in the case of *Gold Fields*. No-one denies that the political pressure was intense; and whereas there is no reason to doubt the OFT's good faith in presenting titanium as a competitive objection, the issue could surely have been settled without a reference had the Secretary of State so wished.

And what of Scottish & Newcastle? Last night's speech would seem to dismiss as irrelevant the fact that Elders is foreign and highly geared, or that S&N is Scottish. But in this case, there are ample grounds for referral within the context of competition in UK brewing; so when the bid gets referred – as doubtless it will – the market will be none the wiser.

ICI

The dissociation between ICI the business and ICI the stock continues. Yesterday's third quarter figures show the group cruising serenely towards £1.5bn pre-tax for the year, and the shares are still bumping along at a near-30 per cent discount to the market. As before, the market's worries are intelligible; commodity chemicals are the chief engine of this year's growth and account for practically half of group profit. Industry-wide, there are warning signs on commodities – BP spending £200m on new ethylene capacity, and Japanese producers being told by MITI to build no new ethylene plant at all.

But although the chemical cycle is certainly due for a downturn, ICI has not itself been guilty of adding to capacity. The group has also been scrutinising the stock position of its competitors and customers and claims to see no sign yet of a build-up. For the shares, this has the makings of an impasse, with investors refusing to buy until they see the effects of a downturn which stubbornly refuses to happen. At 1054p, the shares seem well enough protected by a yield of 5.8 per cent, but while a re-rating is doubtless justified, it is not clear what will get it started.

Bejam

Bejam and Iceland fit each other so nicely that the chief surprise in yesterday's bid is that it was so long coming. One company is in the South, one in the North; putting them together increases the buying power of both, and reduces head office and distribution costs. Bejam is suffering the chill competition of the superstores, whereas Iceland's somewhat obvious sounding policy of giving shoppers what they want has produced average earnings growth in the last two years of over 25 per cent. The trick apparently involves getting prawns, tuna fish and courgettes onto a frozen pizza and filling the gap left by the supermarkets in the high street by selling fresh food and groceries. Simply changing the mixture of products at Bejam to match Iceland's would increase margins, and shareholders in all the major retailers can testify how important that is.

The question of price is less straightforward. About [illegible] times earnings is more than adequate for a company promising minimal growth; and given the shares' steady under-performance, investors must be keen to be shot of them. However, Mr Apthorp may well be able to use his [illegible] per cent stake in Bejam to squeeze out still more; while Iceland can probably afford a little extra without earnings dilution.

Assuming the deal goes through, the immediate prospects for the shares do not match those for the business itself. Getting investors to take yet another issue of convertible preference shares may not be easy, while Mr Apthorp is not likely to be a long-term holder of his usurper's paper.

FINANCIAL TIMES

COMPANIES & MARKETS

Friday October 28 1988

INSIDE

Modern gold rush for liquidity

Competition in the financial futures and options industry is likened to a gold rush by the authors of a new survey into the global derivatives business. Success largely depends on who is first to create a liquid market in a new instrument, making it virtually impossible for any other exchange to then make a success of the product. Page 26

Accelerating towards 1992

Inchcape, the UK trading group, is aiming to exploit Europe's single market with a multi-country network of car retailing and distribution outlets, using its Mann Egerton subsidiary. Mann Egerton, which sold 17,609 vehicles in UK in the first half of the year, forms only part of the group's automotive operations worldwide, led by Mr Derek Whittaker (left), former managing director of Leyland Cars. Page 32

Burning desire for bullion

Encouraged by the relatively high price of gold this decade, companies are turning to increasingly inaccessible areas to mine the ore. The "rim of fire," an arc of volcanic rock circling the Pacific Basin from Chile through New Zealand and up to Japan, contains scores of gold deposits in ore bodies near ancient vents or volcanoes. But getting to grips with the ore will be no picnic. Page 46

Keying in to profit

TOSHIBA Soaring sales of semiconductors and personal computers, especially lap-top models, helped Toshiba, the Japanese electrics and electronics group, to boost interim pre-tax profits by 139 per cent to Y59.6bn ($473.3). Fuji Electric, another leading Japanese producer, climbed 54.1 per cent to Y6.6bn. Page 28

Bourse blues evaporate

The uncertain mood which unsettled the Stockholm bourse before the September general election has largely evaporated, with institutional investors ploughing cash back into the market. Foreign investors, however, are more circumspect and have been net sellers of Swedish equities. Page 30

The Pac-Man cometh

The battle for Epeda-Bertrand Faure, the diversified French car seat company, could see the introduction to the fast-moving French takeover scene of a "Pac-Man" defence. Well-known on Wall Street, the tactic involves a company under attack launching a counterbid against its aggressor. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Beghin-Say	544	+	28
Rises				Saulnes Chat	281.5	+	115
BMW	555.5	+	8	LVMH	3293	+	160
Allianz	1728	+	19	**Falls**			
Henkel	491	+	5	Drouot Assur	374	−	15
Nixdorf	414	+	4	Luchaire	335.8	−	13.2
Karstadt	468	+	4	**TOKYO (Yen)**			
Falls				**Rises**			
D'tsch Babcock	1615	−	4	Nippon Thomp	1400	+	200
NEW YORK ($)				Nichias	1470	+	190
Falls				Nippon Yusoki	715	+	75
First Boston	48¼	−	1⅝	**Falls**			
Kraft Inc	92½	−	5	York-Benimaru	1670	−	150
Quantum Chem	102	−	3⅞	Tokyo Theatres	730	−	61
RJR Nabisco	79½	−	5¼	Nissin Food	2600	−	200
Raychem	35½	−	3¾				
Time Inc	112	−	5⅞				
PARIS (FFr)							
Rises							
Talcs de-Luz	1180	+	127				
LONDON (Pence)				Land Securities	581	+	6
Rises				Lloyds Chem.	147	+	6
Avdel	81	+	4	MEPC	567	+	5
BAT Inds.	478	+	6	Nat. Home Loans	123	+	8
BOC	428	+	6	Pilkington	227½	+	5½
Bejam	204½	+	33	Rothmans B	475	+	18
Brent Walker	372	+	9	600 Group	121	+	8
Brit. Syphon	154	+	18	Tarmac	246	+	6½
Brown & Tawse	203	+	10	Wolseley	265	+	6
Cannon St.	290	+	13	**Falls**			
GUS A	£10[illegible]	+	⅛	Iceland Fr Fds	333	−	10
Hawker Sidd.	559	+	6				
Ladbroke	457	+	6				
LandLeisure	348½	+	8½				

Bond Corporation boosts Lonrho holding to 20%

By Ray Bashford in London

BOND Corporation, headed by Mr Alan Bond, the Australian entrepreneur, has become the largest shareholder in Lonrho, the international trading group, by boosting its holding to 20 per cent.

The Australian company has acquired a further 5 per cent during the past four days of trading, further strengthening its position for a possible takeover bid.

The position could be clarified next week when Mr Bond arrives in London and seeks discussions with Mr Tiny Rowland, Lonrho's chief executive and Lonrho's second largest shareholder with 15 per cent of the equity.

By lifting its stake to 20 per cent, Bond will be able to equity account the profits of Lonrho.

Lonrho shares were again traded heavily yesterday, with 37m changing hands as the price eased 3p to 375.5p. Bond is believed to have been a buyer again, boosting its stake beyond 20 per cent.

Based on this closing price, Lonrho is capitalised at £1.7bn ($2.9bn) and Mr Bond's holding is worth £340m.

This is the biggest investment Mr Bond has made in Britain and is part of a plan for international expansion beyond the constraints of the relatively small Australian market.

Bond disclosed last Tuesday that it had considered the sale of a 14.9 per cent stake in Standard Chartered, the banking group, which it inherited through the acquisition of Mr Robert Holmes à Court's Bell Group. Other UK groups in which it holds stakes include Allied Lyons (11 per cent), M&G (13.7 per cent) and TV-am (14.9 per cent).

Bond has large brewing interests in North America, gold and communications investments in Chile and property holdings in Hong Kong.

Its Australian holdings include big brewing, television and mining investments.

Bond recently acknowledged borrowings in excess of A$7bn (US$5.5bn) but said it expected a substantial reduction in the figure during the current year.

Mr Asher Edelman, the US corporate raider, is understood to have returned as a buyer of Lonrho shares after disposing of his 4.76 per cent stake earlier this month at an estimated profit of between £15m and £20m.

City analysts saw the Bond decision to go beyond the 15 per cent, which it disclosed last Friday, as a clear indication of possible hostile intentions.

Mr Bob Carpenter, of London brokers Kitcat and Aitken, said that after the latest round of buying he would not rule out the chance of an offer from Bond.

"I would be very surprised if Tiny saw Bond, with a holding of 20 per cent, as anything less than hostile," he said.

Philips earnings rise to Fl 161m

By Laura Raun in Amsterdam

PHILIPS, the Dutch electronics giant, lifted its earnings robustly in the third quarter of 1988 on buoyant sales and wider profit margins.

Net income jumped 20 per cent to Fl 161m ($80m) from Fl 134m a year earlier as lower production costs more than offset flat selling prices. Philips is hoping to slash costs by Fl 800m this year through an intensive restructuring campaign involving staff layoffs and eventually factory closures.

Mr J.H. Goris, a member of the group management committee, yesterday described the results as "gratifying" and forecast that Philips would continue to see a "gradual improvement in margins" in the fourth quarter.

For the year as a whole the Dutch company repeated its forecast that net income would match or exceed the Fl 618m of 1987. Mr Goris noted that a number of extraordinary gains were expected in the final quarter, including a large one from a previously-announced joint venture with Whirlpool.

The US maker of large domestic appliances is to pay Philips Fl 1bn for its white goods activities. Philips, which is Europe's largest electronics concern, also is considering selling other assets in telecommunications, medical equipment and miscellaneous activities in the US.

Against extraordinary gains in the fourth quarter Philips will take large provisions for restructuring, perhaps more than Fl 400m. On balance, a net extraordinary gain of about Fl 250m is seen by some analysts.

In the third quarter, sales climbed 8 per cent to Fl 13.6bn from Fl 12.6bn in the same period last year, the biggest quarterly rise in three years. Foreign exchange movements were more favourable than in recent years and all product sectors boosted their revenue.

Operating income increased 21 per cent to Fl 702m in the latest quarter although finance charges were heavier. Non-consolidated companies, especially MEC and Grundig, posted considerably higher earnings.

In the first nine months, profits fell 10 per cent to Fl 499m from Fl 554m a year earlier on narrower profit margins, especially in consumer electronics. Stiff competition from Asian manufacturers is hitting prices as Philips seeks to maintain market share while cutting costs. Sales increased 6 per cent to Fl 39bn in the January-September period from Fl 36.7bn a year earlier, also the biggest nine-month advance in three years. Only consumer electronics failed to raise turnover.

Market reaction was laconic as Philips' share price closed unchanged on the day at Fl 31.30.

Record third-quarter for General Motors

By Roderick Oram and Robert Vincent in New York

GENERAL MOTORS, the world's largest vehicle maker, yesterday reported record third-quarter profits thanks to higher car sales, particularly in Europe, which offset lower earnings of its non-automotive operations.

In contrast, Chrysler, the third largest US car maker, saw earnings fall sharply to $112.5m or 50 cents a share from a restated $248m or $1.12. Despite increasing its car and truck market share in the US and Canada, Chrysler has been hit by the cost of continuing sales incentives.

GM's net profits for the third quarter ended September 30 were $859.2m, or $2.46 per common share, against $812.3m or $2.28 a year earlier.

Mr Roger Smith, chairman, said the year-earlier earnings for the same period, applicable to common shares, would have been only $327m, or $1.05 per share, without last year's changes in depreciation time for plant and equipment.

For the nine months, net earnings were $3.46bn, or $10.09 a share, against $2.72bn, or $7.70. Revenues for the quarter rose to $25.04bn against $22.61bn a year earlier and in the first nine months to $81.38bn against $75.40bn last year.

Total car and truck factory sales rose to 1.77m units in the quarter from 1.64m and to 6m from 5.78m year to date.

Overseas sales at the retail level rose 13.6 per cent to 510,000 units in the third quarter and by 6.9 per cent in the nine months to 1.67m.

The company expects foreign sales to remain strong thanks to the introduction of the Opel Vectra/Vauxhall Cavalier in Europe and the Holden Commodore in Australia.

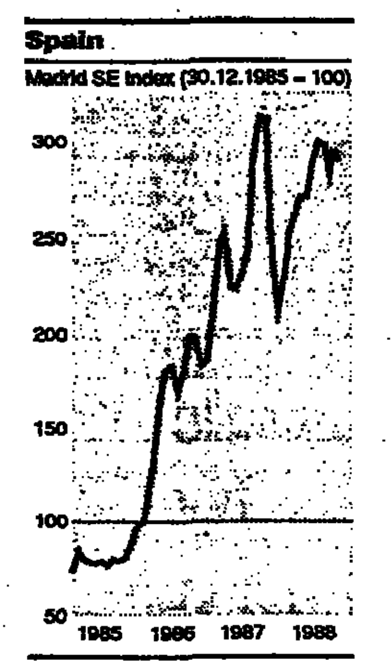
Domestic sales rose 3.5 per cent in the quarter to 3.26m at the retail level with car sales virtually flat and truck sales rising by 12 per cent.

The company also benefited from a further $3.8bn in cost-cutting savings in the first nine months.

Net earnings from the non-automotive subsidiaries fell to $527.4m in the quarter from $578.5m a year earlier, reflecting a 24.9 per cent decline to $241.9m at General Motors Acceptance Corp.

Profits of GM Hughes Electronics rose 4.9 per cent to $179.6m while Electronic Data Systems boosted profits by 16.5 per cent to $96.9m.

Chrysler result details, Page 24



Carlo De Benedetti (above) and Jose Ramon Alvarez Rendueles: the project is more important than the sector

De Benedetti's reign in Spain

Peter Bruce on the Italian financier's acquisitive Iberian investment arm

Anyone who might have had the temerity at the beginning of this year to try to second guess the direction Mr Carlo De Benedetti, the Italian financier, would steer his new Spanish investment arm, Corporacion Financiera Reunida (Cofir), would by now be suffering a massive headache.

In a rapid burst of activity since April, Cofir has spent about Pta11bn ($93.6m) investing in a citrus exporter, a health insurer and a chain of hotels. A Portuguese affiliate is being established, it has floated about 15 per cent of itself on the Madrid bourse, raised new capital in the summer and plans to raise more next month.

Pre-tax profits for the first nine months of 1988, at Pta1.9bn, are nearly double the 1987 result.

Mr De Benedetti came to Spain for the first time last year after spending some time looking for the right vehicle, and for someone to front it.

He found the right man, it seems, in Mr Jose Ramon Alvarez Rendueles, then 46, chairman of the medium-sized Banco Zaragozano and who, between 1978 and 1984, had been the youngest ever governor of the Bank of Spain.

The two men met through directorships Mr Rendueles had with Pirelli and Hispano Olivetti. A bouncy, irrepressible figure, Mr Rendueles also acted as a link between Mr De Benedetti and one of Cofir's biggest Spanish shareholders, the construction group Construcciones y Contratas (Conycon), which controls Banco Zaragozano.

Although the capital increase last summer has put about 15 per cent of Cofir in the hands of private shareholders, the original equity holdings have remained more or less static.

After the floatation and a Pta4bn convertible bond issue, the De Benedetti group holds about 40 per cent of Cofir, Banco de Bilbao (now Banco Bilbao Vizcaya) and Conycon each have 10 per cent, Société Générale de Belgique has slightly less and there are smaller lots held by, among others, Shearson Lehmann, Lombard Odier of Switzerland, Dillon Read and Warburg.

A shareholders meeting called for November 12 to agree on a five-for-eight rights issue to raise Pta12.1bn will not alter that structure much, although Mr Rendueles says he expects independent shareholders to increase their holdings to about 22 per cent. The new money will raise Cofir's reserves to Pta23bn and its equity to about Pta14.3bn.

Mr De Benedetti's reasons for coming to Spain were not complicated. Since joining the European Community in 1986 the country has exploded with new business activity. Foreign investors have pumped $34bn into Spanish industry, equities and property in the last 33 months.

But Cofir remains an oddity. Modelled on and controlled by Cerus, Mr De Benedetti's French operation, it seemed to do little in its first 10 months. A tiny band of four executives, two secretaries and Mr Rendueles played the money and debt markets for months, promising that "something will happen soon."

In April it did. Cofir announced it had bought 21.5 per cent and some convertible bonds of Pascual Hermanos, Spain's biggest exporter of citrus products and vegetables, up until then a family-owned business based in Valencia. The deal cost Cofir Pta3.3bn.

But the money was not the point. Once touched by the magic De Benedetti finger, Pascual Hermanos suddenly became a "hot" company. Its retiring family executives found their pictures splashed over glossy magazine pages and in the newspapers.

Having found the presence of a rich foreigner in their midst not unpleasant, the Pascal's quickly went to the stock market for the first time, with 17 per cent of its equity, for more cash.

By summer's end Pascual Hermanos had attracted the interest of United Brands, the big US foods group. Cofir sold about half its holding to United Brands, although with its bonds it still controls about 14 per cent of the company.

Cofir's small Spanish team began to be bombarded with small Spanish companies hungry for new cash. Not even the country's near-sacred habit of closing down for the August holidays interfered with a secret, four-month-long negotiation between the team and Sanitas, Spain's biggest private health insurer, which ended with Cofir taking a 40 per cent stake for about $30m.

Sanitas has great promise, Mr Rendueles claims, and Cofir may increase its stake.

The Spanish state health-care system is slovenly and slow and increasingly Spaniards are turning to private health, particularly in Catalonia.

Madrid-based Sanitas will take about Pta20bn in premiums this year. The group already owns a modern hospital in the capital, another in Valencia and a network of outpatient centres.

Mr Rendueles says Cofir will definitely hold on to its stake and has claimed five seats on the Sanitas board.

Much the same thing happened in late September. Out of the blue, Cofir announced it was buying 33.5 per cent of an apparently uninspiring chain of hotels, Nuevos Hoteles (NH), for Pta4.2bn. But Mr Antonio Catalan, the group's young owner, has won Cofir backing for an ambitious expansion strategy which will involve NH increasing its hotel holdings from 33 to 50 by the end of next year.

The key to NH is that while Spain is reasonably well covered with expensive luxury hotels for foreign and rich local businessmen, there is little else.

NH sees itself as a chain for middle-ranking executives, rather like the French Novotel group. By 1992, when the liberalisation of EC markets should be complete and when both the Olympic Games and the World Fair are scheduled to open in Spain, the NH group could be uniquely placed to soak up new trade.

The owners of both Sanitas and NH have kept control of their companies and with such large Cofir stakes there may not be much chance of either following Pascual Hermanos to the stock markets. But it is certain that their association with Cofir would do their share prices no harm if they did.

There is still no guessing where Cofir will go with the new money it plans to raise next month.

"The project is more important than the sector," says a grinning Mr Rendueles, as if that is any guide.

Pernod 'breached UK takeover code'

By Lisa Wood in London

THE EXECUTIVE of the UK Takeover Panel, a mergers' watchdog, yesterday ruled that Pernod Ricard, the French drinks group, had breached the takeover code.

It pointed to the way in which Pernod had gained the backing of some Irish Distillers' shareholders for its agreed bid for the Dublin-based whiskey company.

However, the executive has referred to a full meeting of the Panel a decision on the consequences of the breaches – and whether all or some of the shareholders who gave irrevocable undertakings to accept Pernod's offer should be able to reconsider their decision.

Pernod claims to control more than 50 per cent of Irish Distillers' shares and the executive's ruling could scuttle this advantage in the takeover battle for Irish Distillers between it and Grand Metropolitan, the UK drinks group. Pernod has lodged an appeal against the executive's ruling.

The executive did not spell out yesterday how Pernod breached the takeover code. The investigation was into the manner in which irrevocable undertakings to accept the Pernod offer for Irish Distillers were obtained during the weekend of September 3 and 4.

These included a 20 per cent stake held by FII Fyffes, the Dublin fruit group, and constituted about 48 per cent of Pernod Ricard's claimed 52.8 per cent stake in Irish Distillers.

Last week Pernod gained an advantage when the Dublin High Court ruled that FII Fyffes had committed its stake to the French group. FII Fyffes has appealed to the Irish Supreme Court against this decision.

Earnings at Chrysler fall sharply in third quarter

By Robert Vincent in New York

CHRYSLER, the third largest US car maker, saw earnings fall sharply in the third quarter to $112.5m or 50 cents from a restated $246m or $1.12 in the corresponding 1987 period.

At the nine-month stage the group was also well down at $616.6m, compared with $939.5m a year ago, and earnings per share dipped from $4.33 to $2.77. This year's nine-month figures were after a $93m provision for plant closures.

The company said that despite increasing its car and truck market share in the US and Canada it had been hit by the cost of continuing sales incentives and a heavier mix of fleet sales.

Sales for the quarter were ahead at $7bn, against $6.2bn while for the nine months they advanced to $23.2bn from $18.6bn.

In addition, the price increases for 1989 models did not come soon enough to offset the rising cost of raw materials, labour and employee benefits. The company's Newark assembly plant was also down for the entire quarter while it was retooled for production of the new Dodge Spirit and Plymouth Acclaim.

But Mr Lee Iacocca, the company's chairman, was bullish about the rest of the year and 1989. He said: "The result of many of our investments will be on their way to dealerships soon."

He added that they were proceeding with plans to spend $13.5bn over the next few years in new products and processes and plant improvements.

Proceeds from disposals lift Placer Dome income by 62%

By David Owen in Toronto

PLACER DOME, the large Canadian gold producer whose president, Mr John Walton, recently resigned, has reported a sharp 62 per cent increase in third-quarter earnings thanks *mainly to the sale of the group's interests in Falconbridge and McIntyre Mines.*

The after-tax gain from the sale totalled C$90m (US$75m). Net proceeds from the transaction of C$532.7m have swelled the group's cash kitty to C$764.5m.

Net earnings for the quarter totalled C$137.9m or 61 cents a share, compared with C$84.9m or 39 cents a year ago.

Sales dropped to C$186.2m from C$204.4m in the corresponding year earlier period. Operating earnings plunged to just C$4.5m from C$28.9m in 1987 due principally to a C$20m writedown in the carrying value of US energy investments.

In the nine months ended September 30, net income climbed to C$215m or 96 cents a share on revenues of C$591m, from C$184.6m or 85 cents on revenues of C$603.1m in 1987.

Meanwhile, Toronto-based Falconbridge, the world's *second largest nickel producer*, this week reported another sharp jump in quarterly profit to C$87m or C$1.16 a share. This compared with just C$19m or 26 cents a year earlier. Revenues also soared by almost 60 per cent to C$525m.

For the first nine months, net earnings totalled C$217m or C$2.80 a share, compared with a loss of C$13m or 19 *cents a year ago. Revenues* rose to C$1.47bn from C$906m.

The turnround is principally explained by buoyant nickel prices, which more than offset the negative impact of exchange rate fluctuations.

The group's long-term debt has however risen a sharp 31 per cent from a year ago to C$977m. This is largely explained by the group's C$960m purchase of its own shares from Placer Dome earlier this year.

Loss on energy side hits BCE

By David Owen in Toronto

BCE, the former Bell Canada Enterprises, has reported an 8 *per cent decline in third-quarter earnings*. The deterioration is partly due to the group's C$26m (US$21.7m) share of a C$53m loss to be incurred on the sale of oil and gas assets by 49 per cent-owned TransCanada PipeLines (TCPL).

TCPL operations had a negative *impact of C$19m in all on* the group's consolidated earnings for the quarter. This compared with a positive contribution of C$11m in the corresponding 1987 period.

Overall, third-quarter net income totalled C$225m or 78 *cents a share*, compared with C$245m or 88 cents a year earlier.

Total operating revenues rose approximately 7 per cent to C$3.79bn, from C$3.55bn in 1987. Over the same period, the number of shares outstanding increased by 17.7m to 287.8m.

Bell Canada's contribution to the company's profit was unchanged from a year ago at C$173m. The group said that a recent strike by nearly 20,000 telephone operators and technicians had no material effect on net income.

For the nine months ended September 30, net earnings rose to C$764m or C$2.67 a share, on revenues of C$11.18bn.

This compared with profits of C$747m or C$2.69 on revenues of C$10.81bn in the corresponding 1987 period.

Mr Raymond Cyr, president and chief executive, said that he anticipates a strong final quarter and expects results for the year as a whole to be "comparable with those for 1987."

MCorp may be forced to file for bankruptcy

By Roderick Oram in New York

MCORP, the sole surviving major Texas bank, admitted yesterday there "is a high probability" it will be forced to file for bankruptcy within 30 days.

Mr Gene Bishop, chairman, said "it's obvious that we can be forced" into filing by creditors, but the action would be "in the interest of protecting our assets and our creditors; it's really the only alternative."

The bank holding company, which earlier this month said it needed federal government assistance to rebuild its balance sheet devastated by the Texas real estate collapse, triggered the countdown *to a possible bankruptcy* a week ago by halting interest payments on $470m of debt and dividends on its preferred shares. Creditors could apply to the courts as early as November 21.

Analysts interpreted the moratorium as an *attempt* by the bank to force a quicker and more favourable bailout from federal regulators who would probably prefer to avoid complicated bankruptcy proceedings.

No major rescue has ever been undertaken of a bank under bankruptcy protection.

A bankruptcy could also make it much harder for regulators to seize control of MCorp's banking subsidiaries as they had done last summer in the rescue of First RepublicBank, the other major Dallas bank holding company.

Regulators sold First RepublicBank's banks to NCNB, the North Carolina banking group. MCorp executives are trying, however, to keep their operating subsidiaries locally owned. They are seeking a package involving some $1bn of federal assistance which would keep the group largely intact.

Last week MCorp reported a third-quarter loss of $517m after a $368.9m addition to loan loss reserves.

Restructuring pays off for UAL

By Robert Vincent in New York

UAL, which owns United Airlines, boosted third-quarter earnings by 131 per cent to a record $179m or $8.31 a share. The figures reflect the major restructuring programme aimed at revitalising the airline being carried out by Mr Stephen Wolf, the company's chairman.

In the third quarter last year net earnings from continuing operations were $77.5m, and if earnings from discontinued activities are included the figure rises to $82.3m.

When a $223.4m gain from the sale of the company's stake in Covia Partnership is included, the latest quarter's net earnings rise to $402.4m or $18.68 a share.

Revenues for the three months were up from $2.26bn to $2.4bn.

The effects of restructuring are also apparent in the nine-month figures which show net earnings from continuing operations of $554.5m, compared with $76.2m last time, on revenues which rose to $6.8bn from $6.2bn.

But when income from discontinued operations and a substantial gain of $548.5m from asset sales are included, the latest nine-month figure jumps to $1.1bn, against $125.3m.

The company said that last month it repaid the $1.2bn loan which was borrowed in March as part of the restructuring programme. This repayment reduced UAL's total debt to about $2.1bn at the end of the quarter.

Mr Wolf said the balance sheet was now strong and would be further strengthened in the months ahead.

The company said that because of the reduction in the number of outstanding shares following a share repurchase this year, a comparison based on earnings per share was not meaningful.

Pan Am profitability shows improvement

By Robert Vincent in New York

PAN AM, the troubled US airline group, edged ahead in the third quarter following *continued improvement* in the level of profitability at the Pan Am Shuttle and Pan Am Express. But at the nine-month stage the company reported an increased loss.

The group, which is the parent of Pan American World Airways, lifted third-quarter net income to $67.4m or 47 cents a share from $63.4m or 45 cents last time on revenues which were up by more than 13 per cent, from $1.06bn to $1.2bn. Operating expenses, however, rose by 13 per cent to $1.1bn.

In the first nine months the group suffered a loss of $21m, compared with a $19.8m loss last time while Pan American also saw losses increase, from $29.3m to $54.7m.

Revenues for the nine months increased to $3.2bn from $2.7bn.

Net income of Pan American World Airways in the third quarter was virtually unchanged at $32.3m although the airline managed to improve operating profits by nearly 10 per cent to $89.2m.

But the higher level of operating profit was offset, says the company, by higher foreign exchange losses in the quarter, compared with the year-ago period.

Mr Thomas Plaskett, chairman and chief executive of Pan Am, pointed out that the improvement in Pan American World Airways was gratifying since last year's figures contained a $60m favourable adjustment to passenger revenue.

He added that strong traffic, an improvement in yield and in the load factor helped to push up Pan Am's revenues which set a new quarterly record.

The airline has been pressing hard for concessionary agreements from its unions, but it said that the $30m of savings it had won from three unions had been offset by the increased number of workers necessitated by the airline's 10 per cent increase in capacity and by efforts to improve the quality of its services.

● USAir Group, the airline holding company whose principal subsidiaries are USAir and Piedmont Aviation, reported a fall in third-quarter net earnings to $63.5m or $1.48 a share, from $71.8m or $1.66, in the corresponding period a year ago, Our Financial Staff reports. Revenues rose to $1.48bn from $890.5m.

Nine-month profits were $142.2m or $3.32 a share, against $168.6m or $4.80. Nine-month sales jumped from $1.85bn to $4.22bn, reflecting the company's acquisition of Piedmont Aviation and Pacific Southwest Airlines in 1987.

McDonnell orders top $37.5bn

By Robert Vincent in New York

MCDONNELL DOUGLAS, the US aerospace and defence manufacturer, which yesterday reported higher third-quarter earnings said that its total order backlog at the end of September had risen from $31.4bn to $37.5bn.

The group only last month won a substantial order, worth around $6bn if all the options are exercised, from Delta Air Lines of the US. The order included orders and options for 40 MD-11s which provided a welcome boost for the new aircraft.

Net income in the quarter went up to $83.5m from $80.3m last year on revenues which were also up at $3.7bn, against $3.2bn. Earnings per share were ahead to $2.18 from $1.96.

Net earnings in the first nine months came out at $205.1m or $5.34, down from the year earlier figure of $220.4m or $5.43.

The group's firm order backlog at the end of September stood at $21.2bn, against $17bn a year earlier and the MD-11 programme included 46 firm orders and 148 conditional orders, options and reserves.

The total figure for the MD-80 to September which included deliveries was 1,223 aircraft.

McDonnell said that combat aircraft earnings in the quarter were virtually equal to those of last year, while earnings from the transport side and the missile and space system operations were higher.

Asset sales boost Mesa profits

By Robert Vincent in New York

MESA Limited Partnership, the main corporate vehicle of Mr T. Boone Pickens, the US corporate raider, recorded an increase in profits in the third quarter after revenue had been boosted by gains from asset sales.

Third quarter net income went up to $9.8m or 12 cents from $1.56m or 7 cents last time on revenues doubled from $61.6m to $122.5m. Cash provided by operations fell by $9m to $20.5m.

Mesa said the $715m purchase of a Tenneco oil and gas subsidiary is expected to reduce earnings next year. The purchase, which will boost Mesa's gas reserves, is being funded through working capital and borrowings.

In the first nine months net income went ahead to $32.8m or 36 cents from $22.2m or 32 cents on revenues which rose to $358.8m, against $232.8m.

The company said that it received about $50m from asset sales in the 1988 quarter. Production of natural gas rose considerably but this was partly offset by a drop in prices.

However, revenues from this source rose from $35.8m to $42m in the quarter.

Mesa said it was continuing to evaluate the properties outside its primary producing areas and that it had taken a $30m write-off in the quarter on other properties which are expected to be sold.

Funding for La Générale unit

By Our Financial Staff

SOCIETE Générale de Belgique, the Belgian holding company, plans to help SA Cimenteries (CBR), its cement-making affiliate, raise capital in a move which will boost its stake in CBR.

The plan is the first "signal of the strategy being put into place" by La Générale, it said. The holding company, which was at the centre of a bitter takeover *battle earlier* this year, is working on a new industrial strategy which might involve a reorganisation of its principle holdings.

CBR is raising capital in two ways. It is issuing 641,775 new shares with preference to existing shareholders on the basis of one new share for every six shares held. It also is planning a $30m bond issue with warrants attached for the company's stock, which will be subscribed entirely by La Générale.

If the warrants are exercised, La Générale and CBR's other main shareholder, Groupe AG, will together have a stake of considerably more than 50 per cent in CBR. SGB currently has a 38 per cent stake, while AG, which is Belgium's largest insurance company, has a stake of 2.23 per cent.

SGB said that it wanted to "ensure the control of CBR and support the company's industrial strategy." Stock market analysts said that the move indicated that CBR's main shareholders were concerned about a possible takeover bid.

Canadian forest group dips in quarter

By David Owen in Toronto

CONSOLIDATED-BATHURST, the large Canadian forest products company in which Mr Paul Desmarais's Power Corporation is a major shareholder, yesterday reported a 17 per cent decline in net third-quarter earnings.

On an operating level, however, income rose by more than a third.

In all, net profit in the latest quarter totalled C$61.6m (US$51.7m) or 59 cents a share compared with C$74.4m (69 cents a share) in 1987.

The year-earlier figure includes a special gain of C$28.8m. This related to the sale of the Montreal-based group's investment in Diamond-Bathurst, a large US glass bottle-making concern. In recent years, the group has restructured to concentrate on its core pulp and paper operations.

Sales edged up by approximately 7 per cent to C$595.5m in the latest period from C$557.9m a year ago.

In the nine months ended September 30, earnings were C$174.6m (C$1.64 a share) against C$150.8m (C$1.36), including the C$28.8m extraordinary gain, a year ago.

● Alcan, the Montreal-based aluminium company, yesterday declared an increase of 8 US cents or 36 per cent in its quarterly dividend to 30 cents per common share. The company, which is reaping the benefits of higher aluminium prices, has now raised the level of its dividend four times in the last seven quarters.

Benetton enters insurance brokerage

By Our Financial Staff

THE BENETTON family which controls Benetto Group, the popular Italia casual wear company announced yesterday it ha entered into the insurance bro kerage business.

This is aimed at furthe diversifying its presence in th financial services industry.

In Holding, a financial se vices company wholly owne by the Benetton family, an Alexander Stenhouse Itali which is 50 per cent owned b Alexander & Alexander Se vices of New York, recently se up In Broker, a statemen said.

In Holding owns 70 per cen of In Broker, while the rest in the hands of Alexand Stenhouse. Alexander Sten house's remaining 50 per cen is held by the Acutis family Turin. Details of In Broker capitalisation were not di closed.

Benetton said In Brok would use the know-how Alexander Stenhouse a would develop its operatio primarily for compani belonging to the Benetton Group.

In Holding already has wid spread interests in the fina cial services and merchan banking business, includi such fields as factoring, leasing, financial consultin insurance and banking, a mutual funds.

Reverse for Reebok despite rise in sales

By Our Financial Staff

REEBOK INTERNATIONAL the leading US sports shoe pr ducer, increased sales 4 $530.4m in the third quarte compared with $408.4m in th same period last year.

Net profits for the perio however, showed a decrease $37.1m or 32 cents a share. Th compared with earnings o $49.7m or 44 cents a share fo the comparable three month of 1987.

Mr Paul Fireman, Reebok chairman and chief executiv officer, said the company ha expected a decrease in earn ings for the third quarter.

He added that the group wa "by no means satisfied wit these results and are continu ing to take those actions w consider necessary fo improvement."

NORTH AMERICAN QUARTERLY RESULTS

AMCA INTERNATIONAL
Fabricated metal products

	1988 $	1987 $
Third quarter		
Revenues	394.6m	290.2m
Net income	4.1m	-0.665m
Net per share	0.04	-0.02
Nine months		
Revenues	1.03bn	800.5m
Net income	-9.4m	-25.1m
Net per share	-0.15	-0.75

ASARCO
Non-ferrous metals

	1988 $	1987 $
Third quarter		
Revenues	499.4m	322.1m
Net income	45.9m	139m
Net per share	1.09	3.47
Nine months		
Revenues	1.39bn	925.3m
Net income	134.5m	120.6m
Net per share	3.19	3.12

COMINCO
Mining

	1988 C$	1987 C$
Third quarter		
Revenues	372.8m	249.3m
Net income	49.8m	5.1m
Net per share	0.60	0.01
Nine months		
Revenues	1.15bn	908.3m
Net income	128.3m	31m
Net per share	1.51	0.25

COMMUNICATIONS SATELLITE
Telephones

	1988 $	1987 $
Third quarter		
Revenues	94m	82.6m
Op net income	17.7m	20.3m
Op net p/shr	0.96	1.11
Nine months		
Revenues	267m	251.5m
Op net income	49.6m	29.2m
Net per share	2.69	1.59

EATON
Auto parts

	1988 $	1987 $
Third quarter		
Revenues	846.7m	753.5m
Op net income	53.8m	46.4m
Op net p/shr	1.45	1.12
Nine months		
Revenues	2.6bn	2.33bn
Op net income	177.5m	162.3m
Op net p/shr	4.76	3.77

FPL GROUP
Utilities

	1988 $	1987 $
Third quarter		
Revenues	1.38bn	1.31bn
Net income	174.9m	151.4m
Net per share	1.33	1.16
12 months		
Revenues	4.74bn	4.32bn
Net income	433.5m	392.7m
Net per share	3.31	3.03

MACK TRUCKS
Auto trucks and parts

	1988 $	1987 $
Third quarter		
Revenues	501m	437m
Net income	2.1m	1.4m
Net per share	0.07	0.05
Nine months		
Revenues	1.56bn	1.37bn
Net income	14.6m	14.8m
Net per share	0.49	0.49

MARTIN MARIETTA
Aerospace, defence

	1988 $	1987 $
Third quarter		
Revenues	1.46bn	1.32bn
Net income	202.8m	55.6m
Net per share	3.81	1.02
Nine months		
Revenues	4.19bn	3.86bn
Net income	335.2m	171.3m
Net per share	6.30	3.13

NWA
Air transport

	1988 $	1987 $
Third quarter		
Revenues	1.61bn	1.44bn
Net income	116.3m	87.3m
Net per share	3.98	2.89
Nine months		
Revenues	4.23bn	3.93bn
Net income	101.1m	103m
Net per share	3.47	3.59

PPG INDUSTRIES
Glass and chemicals

	1988 $	1987 $
Third quarter		
Revenues	1.36bn	1.28b
Net income	112.9m	91.3
Net per share	1.03	0.7
Nine months		
Revenues	4.19bn	3.86b
Net income	365.3m	280.6
Net per share	3.32	2.3

SQUIBB
Drugs

	1988 $	1987 $
Third quarter		
Revenues	679.5m	561.3
Net income	123m	109.2
Net per share	1.25	1.0
Nine months		
Revenues	1.92bn	1.56b
Net income	328m	273.8
Net per share	3.30	2.6

TEXTRON
Manufacturing

	1988 $	1987 $
Third quarter		
Revenues	1.74bn	1.72b
Op net income	62.8m	57.6
Op net p/shr	0.72	0.6
Nine months		
Revenues	5.37bn	5.38b
Op net income	200.1m	205.8
Op net p/shr	2.27	2.3

INTERNATIONAL COMPANIES AND FINANCE

SKF jumps 30% after strong third quarter

By Sara Webb in Stockholm

SKF of Sweden, the world's leading roller bearings manufacturer, said profits after financial items jumped 30 per cent to SKr1bn ($164m) from SKr773m for the first nine months, helped by particularly strong demand in the third quarter.

Group profit more than doubled in the third quarter to SKr376m from SKr162m a year ago while sales in the third quarter rose by 13 per cent to SKr5.14bn.

The group yesterday raised its full-year forecast for the second time this year in view of the marked improvement in market conditions and said profits after financial items should exceed SKr1.25bn in 1988.

SKF was badly hit by overcapacity in the roller bearings industry, which caused profits to fall 7.5 per cent in 1987. But the group said that the overcapacity has been gradually eliminated: prices have risen in the US market and the West European markets are showing similar moves.

Group sales climbed 9 per cent to SKr15.7bn with the strongest sales increases occurring in the US and Asia/Pacific.

The roller bearings division reported a doubling of profit (after financial items) in the third quarter to SKr300m, while sales climbed 12 per cent to SKr4.32bn. Taking the full nine months, profits rose 23 per cent to SKr759m and sales increased 7 per cent to SKr13.2bn.

SKF also reported increased profits for its smaller components and tools divisions.

The group said a month ago that the favourable business trend should lead to further profit increases in 1989. SKF expects the capital goods sector (on which it earned better margins) to develop more rapidly than the automotive sector.

Bank Leu president quits after six months

By William Dullforce in Geneva

MR WERNER Schick, president of the executive board at Bank Leu, announced yesterday that he was resigning, less than six months after he took over the job.

His announcement came after a meeting of the Bank Leu board on Wednesday.

Mr Schick fixed no date for his departure but said he hoped it would help to ease a conflict that had started in May when a merger with BZ Bank Zurich was under discussion.

This merger, which would have joined Switzerland's oldest and fifth largest commercial bank with one of its youngest and most dynamic, was supported by Mr Kurt Schiltknecht, the Bank Leu chairman.

The idea was abandoned in June when it became evident that it did not enjoy the full support of the Bank Leu management.

Mr Schiltknecht, a Social Democrat and former chief economist at the Swiss National Bank, had taken over as chairman earlier this year in the shake-up that followed Bank Leu's involvements in the Guinness-Distillers affair in the UK and the Dennis Levine insider trading case in New York.

Epeda considers Pac-Man defence

By Paul Betts in Paris

THE CURRENT takeover battle for Epeda-Bertrand Faure, the diversified French car seat company, could break new ground in the fast-moving French takeover scene by introducing the Pac-Man defence.

This is well known on Wall Street and involves a counterbid by a company under attack against its aggressor. It was first used in the early 1980s by Martin Marietta to fight off a hostile raid from Bendix.

Banque Arjil, the recently established French investment bank, has proposed a Pac-Man defence to the embattled management of Epeda, which is struggling to fend off a hostile takeover bid from Valeo, the leading French car components group under the management control of Mr Carlo De Benedetti, the Italian businessman.

Mr Christian Giacomotto, Banque Arjil's chief executive, confirmed yesterday that he had made a Pac-Man proposal – named after the video game – to Mr Pierre Richier, the chairman of Epeda, a fortnight ago. The plan would involve a takeover counterbid by Epeda against Valeo.

Although Valeo is far larger than Epeda in terms of sales, the car seat manufacturer is in a strong financial position to launch a bid for its bigger raider. Indeed, Epeda's price/earnings ratio is about five points higher than Valeo.

Moreover, Valeo's share capital is not altogether secure with Mr De Benedetti owning 20 per cent and French institutional investors another 20 per cent. However, Valeo's institutional shareholders could clearly reconsider their position.

But Epeda appears to be extremely reluctant to launch a Pac-Man attack against Valeo because it feels uncomfortable with the novelty and aggressiveness of such a scheme. Instead, it is trying to draw up an alternative defence with the help of Crédit Commercial de France (CCF) and others.

However, there continued to be doubts yesterday on the chances of this alternative scheme getting off the ground because of the reluctance of the French car makers to become directly involved in the affair. Should the CCF-Michelin scheme fall through, Epeda may be seriously tempted to consider the Pac-Man defence plan to thwart Valeo.

The Epeda battle has already provoked a series of *"coup de théâtres"* – first with the original Valeo bid for 60 per cent of the company, then with the controversial pact between Valeo and Chargeurs, Epeda's "white knight."

Then last week Chargeurs decided to put in a joint FFr3.7bn ($611m) bid with Valeo for the car seat company. This was followed by a row between the various bankers involved in the saga, and the decision of Valeo and Chargeurs this week to withdraw their joint offer.

Norsk Hydro scales down aluminium trade

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly quoted company, is to scale down activities at Hydro Trading, its aluminium trading unit, because of continued heavy losses and move it back from Lausanne to Oslo.

The unit, which lost NKr214m ($32.3m) in the third quarter after a deficit of NKr226m in the previous quarter, will be integrated within the company's metals group.

The announcement coincided with the Norwegian conglomerate's profits statement, which showed a rise in net profits for the first nine months of 1988 to NKr2.18bn from NKr1.52bn.

This was less than expected because of trading losses, reduced magnesium production, low oil prices, and a big fire at a vinyl chloride plant which cost the company "tens of millions" in lost production.

Net income in the third quarter slipped to NKr334m from NKr475m a year earlier because of "specific operating costs of NKr421m and net foreign exchange losses of NKr366m."

Mr Torvild Aakvaag, managing director, said aluminium trading activity was under review but that it will be scaled down "and its scope severely reduced." Trading volumes are to be limited in an attempt to reduce risk exposure.

A substantial manpower reduction is to be made, although Norsk Hydro declined to quantify the move.

The agriculture division saw its third-quarter operating income plunge to NKr78m from NKr382m last year. The latest result was reduced by NKr66m because of early retirement costs and substantially lower sales volume in the period.

The oil and gas division posted an operating income of NKr167m versus NKr138m. Light metals had an operating income of NKr453m versus NKr393m amid rising primary metal prices, partly offset by higher costs of raw materials. The petrochemicals division lifted operating income to NKr387m from NKr244m.

Investor buys 10% of UBF

By Our Financial Staff

MR PETER Fryckman, the Finnish entrepreneur, confirmed yesterday that he holds a 10 per cent stake in Union Bank of Finland, Finland's biggest bank, and said he may buy more shares.

He had accumulated the holding of "roughly 10 per cent" in the past two years. He said he exercised rights to buy new shares under UBF'S recent FM1.2bn ($285m) share offering. But he dismissed suggestions that he was acting in concert with others.

The publicity-shy shipping and real estate investor said Finnish bank shares were undervalued compared with the banks' ratings in foreign stock markets. "And banks are stable," he added. "You can go to sleep at night knowing the bank won't go bust."

He was annoyed that Union Bank had publicly discussed his holding.

Paribas reports 44% increase

By Paul Betts in Paris

PARIBAS, the French privatised investment banking group, yesterday reported a 44 per cent rise in first-half consolidated net earnings, excluding minority interests, to FFr1.4bn ($231.4m) compared with FFr973m in the first half of last year.

The blue chip investment bank also confirmed yesterday that it expected net earnings for the full year to increase by about 40 per cent to around FFr2.4bn from FFr1.7bn last year.

These results would bring earnings back in line with the bank's long-term profit trend of 20 per cent annual growth after the hiccough of last October's stock market crash which depressed Paribas's 1987 earnings by about FFr300m.

Earnings from current operations rose to FFr826m in the first half from FFr690m in the first half of last year.

Anger over Arnault calls

By George Graham in Paris

FRENCH stockbrokers and institutions are bristling over Mr Bernard Arnault's latest plans for raising FFr2.4bn ($396m) of new capital.

The French financier has accumulated a commanding position in the LVMH champagne, cognac and luggage goods company in a joint venture with the Guinness brewing group. On Wednesday he announced yet another in the series of cash calls and jugglings with the already complicated structure of the Agache group, of which he took control in 1984.

The latest operation aims at raising FFr2.4bn through the issue of equity in a new company combining the Au Bon Marché department store, the Conforama furniture retailing chain and La Belle Jardiniere, including mainly property interests.

The cash would then be passed to Christian Dior, the fashion house owned by Agache and through which it controls its joint venture with Guinness.

Mr Arnault already raised FFr3.3bn as recently as August in a private placing of Christian Dior stock. Paris brokers say the relatively cool reception of the placing was due to investors' conviction that Agache would quickly have to come back to the market in one form or another to finance its estimated FFr7.5bn investment in LVMH.

Brokers also criticised Mr Arnault yesterday for effectively reissuing Conforama little more than a year after floating it on the second market. The furniture retailer will contribute an estimated 80 per cent of earnings of the newly formed company, though less of its assets.

The end result of the operation will be yet more dilution for shareholders in Agache.

INTERNATIONAL CAPITAL MARKETS

Trade figure cheer sends gilt and OAT yields lower

By Stephen Fidler in London and Janet Bush in New York

GOVERNMENT bond markets on both sides of the English Channel allowed themselves a day of euphoria after September trade figures from both countries supplied a pleasant surprise to bond investors.

In the UK, where a £560m current account deficit was below nearly everybody's expectations, government bond prices rose by up to a point. Although they eased from their highs, a strong US bond market also provided support late in the day.

After August's dreadful figures, dealers were cautioned not to read too much into a month's figures which could have been distorted by the postal strike and where erratic items, which by definition tend not to follow trends, played a large and positive role.

Although in price terms, the long-end of the market gained most, in yield terms, short maturities came through strongly. Whereas yields on bonds maturing in 1995 and later were 15 basis points better, 1993 maturities were down 25 basis points and the shortest maturities up to 40 basis points lower.

The Bank of England was able to release some of its index-linked tap stock, due 2013, at a price of 96½, although that sector generally was left on the sidelines as the rest of the market advanced.

Not to be outdone, the French government reported a trade surplus of FFr400m, a turnaround from the FFr9bn deficit for the month before. Again there was caution, encouraged by Mr Pierre Bérégovoy, Finance Minister, that it was too early to say a trend had been set but the market closed up to 70 basis points better.

Yields on benchmark OATS in the 10-year area fell through the 8½ per cent level, which dealers said bettered even the levels seen in the rally of 1986.

GOVERNMENT BONDS

US Treasury bonds yesterday benefited from turmoil in both the equity market and the market for corporate bonds and shrugged off more weakness in the dollar.

By the close, prices stood as much as 1¼ point higher. The benchmark 30-year issue was quoted ¾ point higher for a yield of 8.83 per cent.

The buying started early in the session on rumours, apparently unsubstantiated, that President Reagan would refuse to sign the technical corrections bill, passed by Congress, which includes authority for the Treasury to issue long bonds. Speculation revived that there would be no long bond auction at next month's quarterly refunding.

However, there were other reasons for the bond market's ability to override the negative effect of a weaker dollar. Firstly, personal income and spending figures released yesterday were at the weak end of market expectations.

Secondly, bonds appeared to benefit from a flight to quality as stocks plummetted and the corporate bond market was unsettled by news that a $1.15bn issue of Federated Department Store junk bonds, scheduled for this week, has been postponed due to lack of investor interest.

The euphoria among some on Wall Street about the spate of huge takeover proposals received a knock when Mr Alan Greenspan, Fed Chairman, warned banks to examine carefully the financing of leveraged buy-outs at times of recession or high inflation and recommended that Congress pursue its examination of tax incentives relating to the use of debt financing.

This official warning immediately injected a note of caution and high nervousness into the corporate bond market and investors seemed to take refuge in Treasuries.

Despite yesterday's rally, bond traders remained concerned about the longer-run outlook for the market. The vulnerability of the dollar, particularly with the quarterly refunding coming up, is making many of them nervous because of the need to attract overseas demand at the auctions.

IN West Germany, the Bundesbank announced details of the new DM4bn 10-year federal government bond which will carry a 6% per cent coupon and be priced at 100½ to yield 6.31 per cent. This was in fundamentally in line with market expectations. The terms were considered attractive with demand expected to be high.

The secondary market firmed across the board in fairly high, largely currency driven, turnover with prices gaining an average of 20 basis points overall on the day. Dealers cited the easing of the dollar as the main factor behind the gains. The average yield on all public paper fell by 3 basis points to 6.05 per cent. The last 6¾ per cent federal government bond was fixed 15 basis points higher at 102.9 to yield 6.33 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	111-02	+18/32	10.00	9.95	10.13
		8.750	9/37	95-12	+23/32	9.53	9.58	9.85
		9.000	10/08	100-18	+28/32	8.94	8.98	9.22
US TREASURY*		9.250	8/98	103-15	+17/32	8.71	8.82	9.00
		9.125	5/18	103-02	+29/32	8.83	8.90	9.08
JAPAN	No 105	5.000	12/97	102.1165	−0.132	4.67	4.71	5.03
	No 2	5.700	3/07	107.1195	−0.001	4.96	5.02	5.26
GERMANY		6.500	5/98	101.5250	+0.275	6.30	6.39	6.62
FRANCE	BTAN	3.000	7/33	102.0790	+0.304	8.42	8.57	8.52
	OAT	8.500	6/97	100.1250	+0.775	8.46	8.73	8.72
CANADA*		9.500	10/38	98.9500	+0.630	9.66	9.72	10.09
NETHERLANDS		6.500	7/98	101.7750	−0.200	6.28	6.35	6.53
AUSTRALIA		12.500	1/38	102.1405	−0.057	11.92	11.73	11.88

London closing. *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Futures scramble triggers global gold rush

Dominique Jackson on the ferocity of competition in the world's derivatives markets

A move to 24-hour trading by the leading players in the international futures and options industry could threaten the viability of a number of smaller exchanges which have, to date, managed to corner the business in derivatives on international instruments in their own time zones, according to a survey on the global derivatives business.

However, smaller exchanges specialising in local products should continue to be viable within their own market place.

The survey, Futures & Options: Winners and Losers to be published on Tuesday, also concludes that the nascent Japanese futures industry could soon be challenging the US exchanges' leadership in bond and share index futures, largely because of the size of the domestic Japanese markets.

The survey's authors, Mr Richard Dale, Mr James Leslie and Mr Geoffrey Wyatt, draw the analogy of a gold rush to describe competition in the financial futures and options industry, with success largely dependent upon who is first to create a liquid market in a new instrument, making it almost impossible for any other exchange subsequently to make a success of the product.

As such, the main US exchanges, such as the Chicago Mercantile Exchange and the Chicago Board of Trade, where derivative products were first introduced in the early 1970s, have established a virtually impregnable position in many international instruments. However, the swift rate of globalisation of international capital markets during the intervening years has contributed to the explosive growth and proliferation of futures and options exchanges in competing centres.

The dismantling of controls on international capital flows, the deregulation of domestic markets and the implementation of new information technology saw a second wave of entrants, among them the Chicago Board Options Exchange and the Philadelphia Stock Exchange in the US and the London International Financial Futures Exchange and the European Options Exchange in Europe.

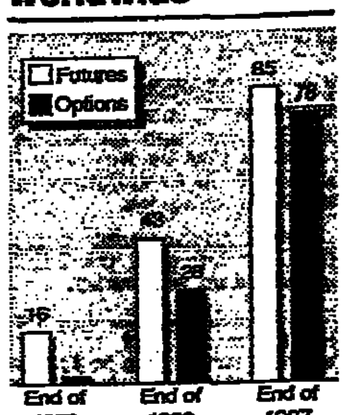
While Chicago remains the centre of the world's futures and options business, the proliferation of exchanges was not necessarily by mere replication or cloning of the successful Chicago formulae. The authors of the survey examine the process of speciation – the creation of new varieties of exchange, each with its own niche, designing contracts or operating systems particularly relevant to its own circumstances.

According to their research, the most successful financial futures and options exchange outside the US is probably Liffe, which offers a wide range of interest rate, currency and index futures and options contracts, including those on the four major international government bonds.

The Sydney Futures Exchange is also commended for its success, if volume alone is not the sole measure. It still dominates the West Pacific Basin and although it operates on a relatively small scale, it provides a diversified range of products and has fungible trading links with Liffe and Comex.

Two rapidly emerging centres are identified in the report – the Marche a Terme d'Instruments Financiers in Paris and the Tokyo Stock Exchange (TSE). Both are currently successful in terms of contract volume. However both currently rely on a single government bond future although diversification to take both exchanges into the global first division is already underway.

Instruments Trading Worldwide



The Matif, according to the survey, aspires to being continental Europe's main futures market. It has recently introduced a stock index and a three-month interbank interest contract. Planned contracts include Ecu, French franc and gold futures to gear the exchange for the unified European capital market in 1992.

The TSE, with a world-beating Japanese Government Bond futures contract, began trading stock index options earlier last month. Foreign bond contracts will be available next year. The authors believe that Tokyo could become a significant centre for futures and options within the next two years, perhaps rivalling Chicago, providing that tax or other financial obstacles do not obstruct its progress.

The survey also examines the criteria for the success of a derivatives exchange, measured commonly in the income it generates for its owners or members. The Chicago exchanges are commended for their innovation, designing from scratch new varieties of contract for trade on their floors and thus safeguarding their position – once an exchange establishes a liquid market, it is extremely difficult for others to dislodge it.

Thus, Liffe, with its recent introduction of a German government bond futures contract, has a fair chance of stealing a head start on the proposed German futures exchange, the DTB, which will not be up and running until late next year.

An important external factor affecting the competitive edge of exchanges is the prevailing tax and regulatory regime. For example, proposed turnover taxes in Japan could inhibit the development of business in international instruments on the TSE. Regulation has severely held up the development of the DTB while a fairly lax regulatory regime may have aided the Hong Kong Futures Exchange for a while but eventually contributed to its disastrous performance at the time of last year's world stock market crash.

Looking ahead, the authors examine recent developments aimed at creating a 24-hour global futures industry. Important initiatives by various exchanges to forge fungible links with other exchanges in complimentary times zones have by and large foundered.

Many have been held up by bureaucratic red tape while those launched have generated meagre volume. The CBOT and PHLX have successfully extended their trading hours to meet the needs of clients in different time zones, a route which seems to have met with more success than inter-exchange link-ups.

The most recent, and controversial, development aimed at the globalisation of the industry is the CME's proposal, jointly with Reuters, to set up an electronic trading network operating on a 24-hour basis. The system, known as Globex, would theoretically permit non-US clients to use the CME at any hour of the day, thus enabling it to globalise its contract markets without the need for further linkages or extended hours.

However, despite the CME's enthusiasm for out-of-hours screen trading, the authors doubt whether locals will participate enough in it to create the necessary liquidity required. So far, screen-based trading has worked reasonably well in small national markets where the participants are geographically dispersed like New Zealand or Sweden.

However, the authors contend that the myriad technical problems, with such things as trading procedures, margin levels, daily price limits and contract guarantee consistency, imply that the industry may have to experiment with various systems before global futures and options trading along these lines can be firmly established.

Futures & Options, Winners and Losers by Richard Dale James Leslie and Geoffrey Wyatt, from Financial Times Business Information

Amtrade Partners rethinks strategy for grey-market trading

By William Dullforce in Geneva

AMTRADE PARTNERS, the company set up in Geneva a year ago by American Express Bank and 15 traders from Chemical Bank to exploit the grey market in Swiss bonds is having to "restructure and rethink," Mr Heinz Zimmer, the vice-chairman responsible for Amex Bank's Swiss operations, said yesterday.

Two senior partners, Mr Andre Heusser and Mr Andre Buchler, quit after differences emerged with the other partners over strategy.

Lines and limits for Amtrade's grey market business – pre-market trading in bonds before the end of the public subscription period for new issues – had been set at the start last year but the two wanted Amtrade to take positions in the market, requiring substantial investments.

Mr Heusser and Mr Buchler have now joined Unigestion, the Geneva-based finance company, to set up a market making operation.

Another important factor in the disagreement generated in Amtrade appears to have been the arrival on the grey market this summer of Credit Suisse. The big Swiss bank started trading from the canton of Zug to avoid the ban on grey market operations in Zurich.

Mr Zimmer said the market had been dull since the summer with low issue activity, so that it was too early to assess Credit Suisse's impact. Other traders say that the big bank has already secured a large share of the market.

Amex Bank, which subscribed two-thirds of Amtrade's SFr30m (US$20m) share capital, was essentially a "silent partner," Mr Zimmer said. It expected the other partners to produce ideas.

Mr Jean-Claude Birchler, whose dismissal after a dispute over management responsibilities led to the resignation of the 15 traders from Chemical Bank in June, 1987, is managing director of Amtrade.

Chemical Bank and Citicorp pioneered grey market operations in Switzerland.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 27 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Oct 26: Index No.	Tue Oct 25: Index No.	Mon Oct 24: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (210)	819.47	....	10.56	4.11	11.70	22.05	819.66	821.25	819.33	688.43
2	Building Materials (28)	1040.66	+1.1	11.69	4.27	10.56	27.52	1029.54	1040.31	1034.54	910.44
3	Contracting, Construction (38)	1594.80	−0.3	11.66	3.70	11.19	40.49	1599.63	1612.89	1622.75	1238.29
4	Electricals (12)	2342.51	....	8.94	4.64	13.61	64.48	2342.38	2345.86	2335.01	1823.73
5	Electronics (29)	1761.94	−0.8	10.10	3.56	12.75	42.01	1776.88	1771.84	1756.20	1481.14
6	Mechanical Engineering (57)	430.26	−0.1	10.14	4.16	12.10	12.27	430.77	430.07	429.71	360.70
8	Metals and Metal Forming (7)	494.88	+0.2	9.83	3.96	12.58	10.06	493.85	491.71	497.59	381.85
9	Motors (16)	287.26	−0.4	11.72	4.69	9.88	8.12	288.32	288.45	287.12	256.47
10	Other Industrial Materials (23)	1367.93	+0.1	9.69	4.47	12.20	43.06	1366.25	1366.46	1367.86	1141.71
21	CONSUMER GROUP (186)	1095.69	+0.1	9.17	3.66	13.74	21.38	1094.06	1092.49	1093.15	995.56
22	Brewers and Distillers (21)	1149.61	−0.1	10.32	3.59	12.22	23.00	1151.06	1153.37	1160.92	923.50
25	Food Manufacturing (21)	990.86	+0.1	8.91	3.82	14.20	19.54	989.42	984.71	983.03	784.37
26	Food Retailing (16)	1939.10	+0.8	9.09	3.48	14.53	42.23	1924.42	1914.02	1917.64	2028.73
27	Health and Household (12)	1929.02	....	6.73	2.55	17.17	18.01	1928.85	1929.36	1930.02	1714.69
29	Leisure (30)	1406.59	+0.2	8.71	3.66	14.73	30.27	1404.41	1397.70	1401.29	1027.75
31	Packaging & Paper (17)	558.59	−0.3	9.99	4.01	12.75	13.94	560.31	558.58	560.01	481.94
32	Publishing & Printing (19)	3477.15	+0.2	8.27	4.09	15.10	81.40	3469.35	3470.10	3464.61	3256.04
34	Stores (34)	771.22	+0.3	10.83	4.33	12.15	17.70	769.21	769.08	766.13	864.03
35	Textiles (16)	523.07	−0.1	13.27	5.31	8.85	13.82	523.58	524.62	524.38	584.11
40	OTHER GROUPS (92)	920.61	+0.4	10.98	4.37	11.11	22.92	917.28	916.99	915.42	807.10
41	Agencies (19)	1085.23	−0.2	8.12	2.56	15.50	19.25	1087.29	1090.71	1091.14	954.56
42	Chemicals (22)	1071.41	+0.3	11.91	4.75	10.08	37.50	1068.24	1075.77	1077.15	952.76
43	Conglomerates (12)	1264.66	+0.6	10.38	4.49	11.02	25.00	1257.66	1253.38	1251.51	1057.58
45	Shipping and Transport (12)	1959.13	+0.5	11.55	4.73	11.33	50.57	1948.68	1947.07	1949.44	1687.99
47	Telephone Networks (2)	981.18	....	11.31	4.54	11.47	20.38	981.72	981.21	975.97	892.77
48	Miscellaneous (25)	1281.89	+1.1	11.06	4.25	10.29	37.24	1268.38	1260.48	1257.89	1103.86
49	INDUSTRIAL GROUP (488)	989.96	+0.2	10.03	3.97	12.37	22.76	988.38	988.16	987.35	872.72
51	Oil & Gas (12)	1733.87	−0.1	10.85	6.41	11.80	76.79	1735.97	1731.01	1723.04	1674.34
59	500 SHARE INDEX (500)	1053.48	+0.1	10.14	4.38	12.29	27.28	1052.20	1051.59	1050.20	940.70
61	FINANCIAL GROUP (123)	696.17	....	–	5.14	–	23.97	695.84	696.20	699.92	624.05
62	Banks (8)	675.42	−0.1	20.78	6.56	6.45	31.13	676.32	677.15	690.63	628.95
65	Insurance (Life) (8)	989.26	−0.1	–	5.36	–	39.81	990.39	990.47	993.62	910.49
66	Insurance (Composite) (7)	532.31	−0.3	–	5.87	–	22.33	533.93	533.56	533.27	494.91
67	Insurance (Brokers) (7)	964.65	+0.3	9.24	6.69	13.58	45.06	962.22	971.43	966.75	881.05
68	Merchant Banks (11)	350.10	+0.4	–	4.20	–	9.20	348.64	348.25	342.24	387.91
69	Property (51)	1235.07	+0.6	5.47	2.68	23.34	17.65	1228.04	1230.50	1229.64	894.13
70	Other Financial (31)	375.10	−0.2	10.23	5.31	12.29	11.66	375.88	373.59	372.96	404.25
71	Investment Trusts (77)	935.02	....	–	3.11	–	15.97	935.14	935.88	936.99	829.77
81	Mining Finance (2)	549.83	−0.8	11.12	3.80	10.02	15.67	554.04	550.86	575.03	403.27
91	Overseas Traders (8)	1355.84	−0.5	9.20	4.53	12.62	40.44	1363.15	1327.08	1342.84	890.50
99	ALL-SHARE INDEX (710)	963.84	+0.1	–	4.39	–	26.02	963.02	962.29	962.96	856.05

	Index No.	Day's Change	Day's High	Day's Low	Oct 26	Oct 25	Oct 24	Oct 21	Oct 20	Year ago
FT-SE 100 SHARE INDEX ‡	1852.1	+1.4	1864.7	1845.1	1850.7	1847.8	1848.4	1859.3	1864.3	1682.0

FIXED INTEREST

	PRICE INDICES	Thu Oct 27	Day's change %	Wed Oct 26	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	120.25	+0.45	119.71	–	9.71
2	5-15 years	138.10	+0.72	137.11	–	11.51
3	Over 15 years	149.73	+0.90	148.39	–	12.64
4	Irredeemables	169.94	+0.64	168.86	–	13.38
5	All stocks	135.07	+0.66	134.17	–	11.13
	Index-Linked					
6	5 years	130.43	+0.03	130.40	–	1.81
7	Over 5 years	127.47	+0.29	127.10	–	2.96
8	All stocks	127.50	+0.26	127.16	–	2.85
9	Debentures & Loans	118.31	+0.13	118.17	–	9.40
10	Preference	91.52	+1.20	90.43	–	5.08

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 27	Wed Oct 26	Year ago (approx.)
	British Government				
1	Low	5 years	9.54	9.66	8.67
2	Coupons	15 years	9.13	9.24	9.18
3		25 years	8.86	8.94	8.97
4	Medium	5 years	9.90	10.06	9.29
5	Coupons	15 years	9.36	9.47	9.37
6		25 years	9.09	9.17	9.15
7	High	5 years	10.02	10.19	9.37
8	Coupons	15 years	9.50	9.60	9.54
9		25 years	9.12	9.24	9.19
10	Irredeemables	†	8.85	8.90	8.93
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.79	2.80	3.29
12	Inflation rate 5%	Over 5 yrs.	3.61	3.63	4.29
13	Inflation rate 10%	5 yrs.	1.64	1.64	3.44
14	Inflation rate 10%	Over 5 yrs.	3.44	3.46	4.32
15	Debs &	5 years	11.63	11.76	11.32
16	Loans	15 years	11.80	11.03	10.81
17		25 years	10.70	10.70	10.81
18	Preference	†	9.85	9.97	10.98

‡Opening index 1850.0; 10 am 1846.3; 11 am 1846.4; Noon 1858.7; 1 pm 1864.2; 2 pm 1863.5; 3 pm 1858.2; 3.30 pm 1858.5; 4 pm 1853.8
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
If the proposal that Abbey Life should become a subsidiary of Lloyds Bank becomes effective, Abbey Life will be deleted from the indices.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	3	7
Corporations, Dominion and Foreign Bonds	23	6	23
Industrials	359	367	862
Financial and Properties	153	146	370
Oils	20	35	50
Plantations	2	0	11
Mines	28	38	123
Others	38	107	116
Totals	725	702	1,562

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	88	83	Acorn Inv. Tst £1	85		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings July 25
- Last Dealings Aug 5
- Last Declarations Oct 27
- For settlement Nov 7

For rate indications see end of London Share Service

Calls in Greenall Whitley, Myson, Ibstock, Lonrho, Rothmans, Leisure Invs, Norfolk Cap, Chloride, Assoc. Energy and Blue Arrow. PCalls in Trusthouse Forte.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Allied Lyons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 27 Total Contracts 45,867 Calls 30,000 Puts 15,867
FT-SE Index Calls 4157 Puts 6785
*Underlying security price.

INTERNATIONAL CAPITAL MARKETS

World Bank dollar issue taps rich demand vein

By Dominique Jackson

THE WORLD BANK returned to the Eurodollar straight market yesterday with a popular issue which underlined the recent sharpening of credit perceptions in international fixed-income markets, as investors continued to shun debt from US industrial corporates.

Deutsche Bank Capital Markets was the lead manager on a $300m deal for the World Bank, which tapped into a strong vein of continued demand in the 10-year maturity area of the market.

The deal came at an initial yield margin of around 35 basis points over comparable Treasury issues and saw such brisk demand that this spread soon narrowed to around 27 basis points. By the end of the day, it had settled down to a margin of around 30, establishing a reasonable yardstick for top borrowers at this kind of maturity. The deal was bid at a discount of 1.40 on brokers' screens by the end of the day, well inside its total fees.

The spread margins on the latest crop of top quality new issues appear to reflect increased investor preoccupation with credit worthiness. The market appears less concerned with demanding a significant rise in spreads in line with lengthening maturities but is now more interested in matching the pricing of a new deal with the credit of the borrower.

The initial spread of 75 basis points over comparable Treasuries, with which a $150m straight issue for Seiyu Stores came to the market, was generally deemed as fair and the five-year issue, which carries the guarantee of Dai-Ichi Kangyo Bank, was positively received although much of the demand was reportedly from Japanese accounts. Nomura International led the deal, which was bid at a discount of 1.70, still within total fees, by the end of the day.

INTERNATIONAL BONDS

The Japanese corporate scene is still perceived as fairly orderly in comparison with US and European counterparts and a substantial amount of investor demand remains for correctly-priced corporate debt.

The recent ructions in the US domestic corporate bond markets and the widening of spreads and loss of liquidity in outstanding Eurobond issues for the same borrowers continue to keep investors away from the sector and has also affected confidence in similar paper from Continental European companies, which many believe could become the focus of increased takeover activity ahead of the single European market in 1992.

The European Investment Bank launched a FFr550m deal via Credit Commercial de France which came to the market at a yield margin of around 23 basis points over comparable government issues. The top quality of the borrower proved attractive and the deal was also propelled by a buoyant tone to the secondary market following the announcement that the French trade balance for September had returned to a surplus of FFr400m following a shock FFr9bn deficit in August. The deal was well bid at a discount of 1¼, well within its total fees.

Deutsche Bank in Frankfurt brought a DM100m deal with equity warrants attached for a unit of West German paper manufacturer Zanders. The 10-year deal met instant and enthusiastic demand, attributed by dealers to investor recognition of the borrower's name and the issue was soon trading at around 128 bid compared with an issue price of 120.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank◆	300	9¼	101½	1998	2/1⅝	Deutsche Bk.Cap.Mkts.
Seiyu Stores◆	150	9⅜	101¾	1993	1⅞/1¼	Nomura Int.
First Austrian Bk(c)◆	50	9	101½	2003	1⅝/1	Deutsche Bk.Cap.Mkts.
Final terms fixed on:						
Footwork Corp.(b)‡◆	45	5⅞	100	1992	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Ferrovie dello Stato◆	100	10¼	101⅞	1993	1⅞/1¼	Banque Paribas
D-MARKS						
Zanders Int. Finance(a)‡◆	100	6½	120	1998	2½/1½	Deutsche Bank
Nippon Koki Co.Ltd.★★◆	20	5⅝	100½	1993	1⅝/1⅛	IBJ (Germany)
FRENCH FRANCS						
EIB◆	550	8⅝	101⅜	1992	1½/1	CCF

★★Private placement. ‡With equity warrants. ◆Final terms. a)Each DM1,000 has two warrants to buy 4 preference shares at DM192 per share. b)Coupon fixed as indicated. c)Retractable bond - after 4 years borrower has option to refix coupon and maturity for any period between 2 and 11 years.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	95¼	95½	+0¼	+0¼	9.20
Amer. Brands 8⅞ 92	150	†97	97½	+0½	+0½	9.76
A/S Eksportfinans 7½ 93	100	†94¾	95¼	+0½	+0½	8.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102¼	102½	+0⅛	+0⅛	4.73
Belgium 4⅝ 94	45	98	98¼	+0⅛	+0⅞	5.01
Canada 4⅛ 92	80	99⅛	99⅜	+0⅛	+0½	4.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier. [illegible]

Switzerland lifts last bar on banks' SFr lending

By William Dullforce in Geneva

THE SWISS National Bank yesterday lifted its last restriction on bank lending in Swiss francs. Banks no longer have to seek its authorisation for each medium or long-term credit above SFr10m ($6.6m) granted to borrowers outside Switzerland.

It no longer matters whether the bank, or bank syndicate, making a Swiss franc loan is resident in Switzerland or abroad. Underwriting of Swiss franc bond issues, however, remains restricted to banks domiciled in Switzerland.

SNB's latest move brings Switzerland into line with British and West German practice, Dr Markus Lusser, the SNB president, said.

One exception remains to full liberalisation of the credit sector. Permission will still be required for loans to South Africa. Switzerland does not apply sanctions. Dr Lusser said that it pursued a policy of maintaining business with South Africa at earlier levels, without expanding it, and this required some control.

The credit relaxation is not expected to result in any big increase in Swiss franc loans. Last year, credits accounted for SFr11.3bn of total Swiss capital exports of SFr47.3bn and some foreign banks had already started to grant Swiss franc credits.

SNB's rule, applied with the co-operation of the West German Bundesbank and the Bank of England, that banks underwriting Swiss franc bond issues must be domiciled in Switzerland cannot be dropped, as long as federal government stamp duty is applied to bond transactions.

Mr Otto Stich, the Swiss Finance Minister, has so far blocked the abolition of stamp duty, which is recommended by the SNB.

Sedgwick links with Ginsen

By Stefan Wagstyl in Tokyo

SEDGWICK GROUP, the UK's largest insurance broker, has forged a co-operation agreement with Ginsen, Japanese insurance broker belonging to the Sumitomo group of companies.

Sedgwick hopes the deal will give it greater access to Japanese companies. Ginsen wants to tap Sedgwick's knowledge of foreign markets, especially in the US, where Sedgwick has a large subsidiary in Fred S. James.

Under the terms of the deal, Ginsen will bring to Sedgwick Japanese clients which want to expand in the US and need insurance broking services. Sedgwick will give Ginsen advice on how to structure complex risk-management packages.

At the same time, Ginsen plans to establish a fully-owned subsidiary in New York, while Fred S. James will open an office in Tokyo.

Sedgwick hopes to generate business from Ginsen's wide links with other companies in the Sumitomo group, which consists of dozens of companies gathered around Sumitomo Bank, one of Japan's largest commercial banks. Ginsen is an agent for Sumitomo Marine and Fire, the fourth largest non-life insurer in Japan.

Ginsen, an unlisted company, is 49 per cent-owned by Otemachi Tatemono, a property company which is also affiliated to members of the Sumitomo group. In the year ended March, 1988 Ginsen had revenues of Y8.25bn ($49.7m), of which 40 per cent was from insurance broking and the rest from real estate management.

Citibank cancels CD

CITIBANK has cancelled a planned HK$250m (US$32) 10-year floating rate certificate of deposit issue because of difficulties over country-risk provisions, Reuters reports.

Although the bank and its underwriters had agreed in principle, there were problems over how to word the country-risk section, Antony Leung a bank director said. The CDs mature in 1998, while Hong Kong reverts to Chinese sovereignty in 1997.

Mr Leung said Citibank had accepted responsibility for breach of agreement by its branches but not for government restrictions such as exchange controls.

Banking observers said this was believed to be the first time a country-risk clause would have been in a Hong Kong CD issue. "We can start a new issue when the problem has been solved," Mr Leung said.

Notice of Redemption

Canadian National Railway Company

US $100,000,000

14⅝% Notes due December 1, 1991

NOTICE IS HEREBY GIVEN that in accordance with the Terms and Conditions of the Notes the Issuer will redeem all of the Notes at 101½% of their principal amount (the "Redemption Price") on the next interest payment date, 1st December, 1988, when interest on the Notes will cease to accrue.

Payment of the Redemption Price will be made upon presentation and surrender of the Notes, with all unmatured coupons attached, at the offices of any of the Paying Agents listed below.

Bankers Trust Company
Four Albany Street
New York, New York 10015

Bankers Trust GmbH
P.O. Box 2665
Bockenheimer Landstrasse 39
6000 Frankfurt am Main

Kredietbank S.A.
Luxembourgeoise
43 Boulevard Royal
L-2955 Luxembourg

Bankers Trust A.G.
Dreikoenigstrasse 6
CH-8022 Zurich

Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Bankers Trust Company
12-14 Rond-Point
des Champs Elysées
75386 Paris, Cedex 08

National Bank of Canada
600 de la Gauchetierre West
Montreal, Que H3B4L2

Banque Indosuez Belgique S.A.
rue des Colonies 40
B-1000 Brussels

Accrued interest due 1st December, 1988 will be paid in the normal manner on or after that date against presentation of Coupon No. 7.

Bankers Trust Company, London — Agent Bank

21st October, 1988

NOTICE OF REDEMPTION

Post-och Kreditbanken PKbanken

(Incorporated in the Kingdom of Sweden)

12⅞% Surbordinated Notes due 1991

NOTICE IS HEREBY GIVEN that, pursuant to Condition 4(b) of the Notes Post-och Kreditbanken, PKbanken has elected to redeem on November 28, 1988 (the "Redemption Date") all of its outstanding 12⅞% Subordinated Notes due 1991 (the "Notes") at a redemption price equal to 101% of the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue. The pincipal value of each note at Redemption will be US$5050.00.

The Notes should be presented and surrendered to the paying agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due November 28 1988 should be detached and presented for payment in the usual manner.

October 28, 1988
By Citibank, N.A. (CSSI Dept.), Fiscal Agent — CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

JAPANESE ELECTRONICS RESULTS

PC sales help lift Toshiba 139%

By Stefan Wagstyl in Tokyo

TOSHIBA, the Japanese electrics and electronics group, yesterday announced a 139 per cent increase in interim pre-tax profits to Y59.6bn ($473.4m), due to strong demand in its electronics business.

The company profited from soaring sales of personal computers (PCs), especially lap-top models, and of semiconductors, including 1 megabyte Dram memory devices.

Unconsolidated sales in the six months to the end of September rose 5 per cent to Y1,354bn. Increases of 20 per cent in the division covering computers and semiconductors and of 4 per cent in consumer products offset a 20 per cent decline in heavy electricals.

The result from the heavy electrical equipment business was hit by an absence of sales of large-scale nuclear plant apparatus, which figured prominently in last year's result.

Toshiba said the electronics division was boosted by the group's Project I, a strategy of concentrating on building the information and communications technology operations. The group said it was increasing its planned capital spending for the financial year by Y10bn to Y140bn. The extra money is going to build a fifth semiconductor production line at its works in Oita, on Kyushu, Japan's southern island.

Exports rose 11 per cent to Y419bn, despite a 1 per cent dip in consumer products exports. This was caused partly by increased competition from South-East Asian countries and partly by a decline in sales in the US, caused by lingering American resentment about the sale by Toshiba Machine, a group company, of militarily sensitive equipment to the Soviet Union.

Toshiba suffered a Y5.6bn extraordinary loss due to exchange losses at Toshiba International Company (UK), a British sales subsidiary handling power plant orders.

For the year to next March, Toshiba forecasts a 5 per cent rise in unconsolidated sales to Y2,830bn and pre-tax profits of Y120bn, up 85 per cent.

FUJI ELECTRIC, another leading electricals group, has reported a 54.1 per cent rise in pre-tax profits in the six months to September to Y6.6bn ($52.4m), writes Ian Rodger in Tokyo.

The company attributed the gain in part to a 15.1 per cent rise in sales to Y214.7bn and to cost savings.

Sales were particularly strong for industrial control systems, vending machines and semiconductors, the company said.

It is looking for a record pre-tax profit of Y14.5bn for the full year, up 63.3 per cent from last year.

Strong domestic market boosts Hitachi to Y91bn

By Ian Rodger

HITACHI, Japan's largest electrical group, pushed pre-tax profits 58 per cent higher in the six months to September to Y91.2bn ($724.4m) on sales of Y1,583.1bn, up 16 per cent.

Strong domestic sales of information processing and telecommunications equipment, as well as home electric appliances, combined with rising semiconductor prices to boost sales and to raise profitability, the company said.

Sales of the information and communication systems and electronic devices division, accounting for 43 per cent of the group total, were up 17 per cent to Y682.6bn.

Sales of power systems and equipment, accounting for another 21 per cent of sales, were up 6 per cent to Y325.6bn. Consumer product sales were also up 6 per cent to Y280.8bn.

Net income rose 45 per cent to Y43.4bn. Full-year pre-tax profits are likely to rise 43 per cent from the previous year to Y190bn.

Mitsubishi Electric soars 147.2% to Y35.1bn

By Our Tokyo Staff

PRE-TAX profits of Mitsubishi Electric (Melco), one of Japan's leading electrical groups, soared 147.2 per cent in the six months to September to Y35.1bn ($278.8m) on sales up 15.2 per cent to Y1,025.4bn.

The company raised the interim dividend by Y1 per share to Y4 and promised a similar increase in the second half, making a total of Y8.

Melco, a leading defence contractor and heavy electrical machinery maker, said its sales and profit gains were largely due to increases in domestic demand. It also stepped up procurement of materials overseas, taking advantage of the higher yen.

Showing that the *zaitech* boom is not totally over, the company recorded its first profit on financial items, of Y2.86bn.

Net profits rose 63.9 per cent to Y13.6bn.

For the full year, the company is forecasting a profit of Y83bn before tax, double last year's level.

Fanuc jumps by 65.8% to Y23.2bn

By Ian Rodger in Tokyo

FANUC, the leading machine tool control and robot making group, showed a 65.8 per cent surge in pre-tax profits for the six months to September to Y23.2bn ($184.3m).

The company has also announced an increase in its annual dividend by Y1 to Y16 per share.

Sales rose 36.8 per cent to Y71.5bn, due largely to buoyant demand from Japanese electronics and car makers. Demand for computer numerical controls (CNC) for machine tools, the company's principal product, was up 27.7 per cent, and robot sales doubled.

Net income was Y11.6bn, up 63 per cent. The company expects the current pace of capital investment by Japanese industry to continue, and so it is forecasting a 34.6 per cent rise in pre-tax profit to Y46.5bn in the full year.

Net earnings are estimated at Y23.2bn against Y16.7bn, on sales of Y146bn compared with Y117bn.

● Nitto Denko, an electronic materials maker known until recently as Nitto Electrical Industrial, lifted pre-tax profits a modest 5.5 per cent to Y7.32bn in its September half, on sales 4.8 per cent higher at Y67.8bn.

Henkel holds takeover talks with Panigal

By Haig Simonian in Frankfurt

HENKEL, the West German speciality chemicals and detergents group which has expanded widely in Europe in recent years, is negotiating to take over Panigal, a family-owned Italian detergents and food group.

Discussions with the Bologna-based company have not yet been concluded, according to Henkel, although a purchase price of about DM270m ($151.7m) has been mentioned in the German press. "We have put forward our ideas and are waiting for a response," said Henkel yesterday. Panigal said it had no comment.

Panigal, which has its turnover divided roughly equally between food and detergents products, expects sales of DM420m this year. Its purchase by Henkel would mark a further step in the rationalisation of middle-sized Italian detergent manufacturers.

Henkel has for some time been interested in expanding in Italy, where its two existing subsidiaries had joint sales of about L422bn ($317m) last year.

Earlier this year, it was pipped at the post when Benckiser, a privately-owned German chemicals and detergents group, successfully bid more than DM300m for the 54 per cent stake held by a subsidiary of Ferruzzi in Mira Lanza, a leading Italian washing and cleaning material producer.

Henkel has not indicated its plans for Panigal's foods side should its bid succeed.

Peko Oil rejects Santos offer

By Chris Sherwell in Sydney

PEKO OIL, the quoted subsidiary of North Broken Hill Holdings, yesterday rejected an increased takeover offer from Santos, the Adelaide-based oil and gas producer, as its parent reported sharply higher first-quarter results.

North's figures for the three months to September showed the full benefits of its acquisition in February of Peko-Wallsend, including Peko Oil. Equity-accounted profit after tax and minorities was A$25.55m (US$21.1m) compared with A$10.35m in the same period last year, while revenues totalled A$603.8m, well over double the previous figure of A$270.3m.

Directors of Peko Oil, which is 54 per cent owned by North, meanwhile reaffirmed their rejection of the bid from Santos, which yesterday lifted its offer from A$1.80 per share to A$2. The new price values Peko Oil and A$498.2m.

Santos launched its bid last month, and set a minimum acceptance condition of 54 per cent which makes its success dependent on North's acceptance. North's directors have yet to make their views known.

So far Santos has picked up just over 10 per cent of Peko Oil. It plans initially to fund its purchases through borrowings, but will make a one-for-four rights issue once the bid's success is assured.

The acquisition of Peko Oil would broaden Santos's narrow base. Currently it is principally an onshore oil and gas producer.

Peko's interests are in the Timor Sea off north-western Australia, and in the UK, US, Netherlands and Indonesia.

In its first-quarter announcement, North said the contribution from the Peko operations acquired through the merger with Peko-Wallsend was the "single biggest influence" on its improved result.

Another major contribution came from Energy Resources of Australia (ERA), the 65 per cent-owned uranium producer.

North said the outlook was for an improved rate of earnings in coming months because of reducing interest costs and higher earnings from subsidiaries.

Competition curbs SA banks' margins

By Jim Jones in Johannesburg

INTENSE COMPETITION for lending curbed the margins of First National Bank and Nedbank, two of South Africa's leading banks, during the year to September, but both reported greater lending volumes and increased profits.

The margin squeeze is disclosed by First National, the former Barclays National Bank, which increased interest income by 29 per cent to R2.84bn ($1.16bn) but where interest expenditure rose by 41 per cent to R1.89bn. Its other operating expenditures rose at a greater rate than income from other operations and the group's pre-tax profit increased fractionally to R306.4m from R301.9m.

First National remains the country's largest bank in terms of advances. It lifted its total assets to R28.15bn at the end of the financial year from R10.60bn a year earlier, and its advances to R21.10bn from R13.63bn. Particular emphasis was placed on mortgage lending and, by the year-end, mortgage advances were R3.1bn.

Mr Chris Ball, the managing director, hopes this period of artificially low interest rates will soon end. Last week bankers discussed their need for higher rates with the Reserve Bank, but came away empty-handed. Analysts in Johannesburg believe the bank rate and the commercial bank lending rates will increase by one or two percentage points before 1989 following this week's municipal elections.

Nedbank, the third largest of the country's five clearing banks, lifted its pre-tax profit to R260.2m from R184.7m. Its total assets increased to R15.96bn from R13.58bn and its advances were R10.90bn against R9.77bn.

Nedbank has been less aggressive in the mortgage lending market and Mr Piet Liebenberg, the managing director, attributes the bank's profit advance to a sharper focus on marketing credit facilities to the corporate sector.

Nedbank is merging with the Permanent Building Society, the last of the leading building societies to abandon its mutual status.

First National lifted net earnings to 284.5 cents a share from 254.6 cents and has raised its dividend to 112.5 cents from 105 cents. Nedbank's earnings were 134.4 cents against 90.3 cents.

Wintershall set for continued large losses

By Haig Simonian

WINTERSHALL, the oil producing and refining subsidiary of BASF, the leading West German chemicals conglomerate, looks set to continue trading at a considerable loss this year despite earlier indications that its losses may be slightly improved from 1987.

Mr Heinz Wüstefeld, chief executive, said the downturn stemmed from a further fall in product prices and heavy pressure on margins, especially in oil refining. Upstream earnings are likely to be substantially outweighed by losses in downstream activities this year.

Last year, the company made a loss of DM39m ($22m).

The fall in crude oil, natural gas and product prices has resulted in a 10 per cent drop in group turnover in the first nine months of this year to DM3.98bn. Wintershall is rationalising to reduce losses. Last month it announced the closure of its Mannheim oil refinery, and it now plans to cut 1,000 jobs from its total workforce of 3,260.

Mr Wüstefeld said he hoped Wintershall could return to profits next year once the bulk of the Mannheim works was closed. The company would continue to rationalise at its two other German refineries.

He confirmed that Wintershall remained committed to buying proven oil and gas reserves.

Co-operation to achieve greater economies of scale in refining and sales is the other avenue being pursued to cut losses. Wintershall is having talks with Saarberg Oel und Handel on working together more closely. However, the outcome of these talks remains unresolved.

Buyer found for New Zealand Steel

EQUITICORP, the investment company which through its Feltrax subsidiary controls New Zealand Steel, said yesterday it had found a buyer for the previously state-owned steelmaker, Our Financial Staff writes.

This would enable it to complete the sale of the remainder of Feltrax to BTR Nylex, the quoted Australian offshoot of the UK's BTR industrial group.

It did not name the prospective purchaser.

INTERNATIONAL COMPANIES AND FINANCE

Banner launches £102m bid for Avdel

By Nikki Tait in London

AVDEL, the British engineered fastenings and assembly systems company formerly known as Newman Industries, yesterday became the target of a £102m ($179.5m) cash takeover bid from Banner Industries, the US-based supplier of aircraft parts.

Avdel, which has been the subject of bid speculation for several years, issued a holding statement which noted the 80p-a-share offer and urged shareholders to take no action. However, it seems almost certain to reject the bid.

Contact between the two companies was established at the beginning of September, when Banner announced it had purchased for £3.5m an option over the 35m shares in Avdel – 27.58 per cent of the equity – held by Suter, the industrial conglomerate.

The option can be exercised at 70p a share until January 15, but is extendable thereafter. In the meantime, Banner, not Suter, holds voting rights on the stake.

Mr Jeffrey Steiner, Banner's chief executive, suggested yesterday that the subsequent discussions with Avdel had been friendly but "a little slow" – hence the decision to launch a bid. This, however, appeared at odds with views emanating from the Avdel camp, which suggested that discussions had been superficial.

Mr Steiner became chairman and chief executive at Banner in 1985.

In early 1987, Banner made a recommended $800m bid for the much larger Rexnord group, a Milwaukee-based manufacturer of engineering components and process control equipment. Since then, there have been a series of restructuring moves.

Banner now takes in a specialty fasteners division, which had sales of $122m in the year to end-June. Mr Steiner says this would be complementary to Avdel's fastening business.

Avdel made pre-tax profits of £9.1m in 1987, and in the first half of 1988 saw the interim figure rise from £4.2m to £5.6m. Sales in the first half were £40.7m.

ICI pre-tax profits increase 13%

By Vanessa Houlder in London

VIGOROUS performances from ICI's main industrial and agrichemical businesses helped fuel a 13 per cent rise in the UK's biggest chemicals company's pre-tax profits to £1.13bn ($1.98bn) for the first nine months of 1988, up from $1bn last year.

The results, which were in line with analysts' expectations, prompted a 4p fall in ICI's share price which closed at £10.54.

The pre-tax figure for the third quarter was £347m, up £34m (11 per cent) on the same quarter in 1987. Profits were down by £78m compared with the second quarter, as a result of the normal seasonal decline in agriculture and the holiday slow-down in Europe, although this was less pronounced than in previous years.

Group turnover increased by 5 per cent to £8.71bn (£8.29bn) of which £2bn was from the UK and £6.67bn from overseas. Sales volume rose by 9 per cent, one third of which was attributable to acquisitions. Selling price rises in local currencies increased turnover by a further 4 per cent, although currency movements reduced these gains by 8 per cent.

Currency fluctuations were estimated to cost the company £100m in pre-tax profits. The company is mainly exposed to the dollar, which fell 12.6 per cent against sterling and the D-mark, which declined by 6.5 per cent, in the period.

The effects of currency movements were most pronounced in the consumer products and specialities division. With a heavy emphasis on US sales, pharmaceutical profits are particularly vulnerable to the strength of sterling. In addition, profits were depressed by a relatively large number of new product registrations.

Paints had another good year in Europe and the company reported further progress in expanding its North American business, although the division's performance was again blunted by exchange rate movements. The colours and fine chemicals, polyurethanes, films, speciality chemicals and advanced materials all performed well.

The industrial products division continued to perform strongly on the back of buoyant world-wide demand for basic chemicals. Margins strengthened in the petrochemicals and plastics divisions as a result of product shortages and strong demand. The fibres division performed well despite a weak European market.

Weak demand persisted in the fertilisers division, which continued to trade at a loss.

Interest payments were unchanged at £117m. Earnings per share increased from 87.6p to 99.7p.

Lex, Page 22

Putting the freeze on southerners

Philip Coggan on Iceland Frozen Foods' move on a UK competitor

Iceland Frozen Foods yesterday launched a £248.6m bid for fellow UK frozen food retailer, Bejam, which was immediately rejected by the much larger target company.

The all-share offer values each Bejam share at 196.5p, and Bejam's shares rose 33p to close at 204½p last night. Iceland's shares fell 10p to 338p.

Iceland argues that the combined group would be an excellent geographical fit – the bulk of its stores is in the north, the bulk of Bejam's is in the south. "Out of a combined total of 450 stores, only 12 would need to be closed," said Mr Malcolm Walker, Iceland chairman, yesterday.

A merged Bejam/Iceland would be the second largest retailer of frozen foods in the UK, just behind Sainsbury, with a 14.2 per cent share of the annual £2.5bn ($4.4bn) market. Bejam is currently third in the table and Iceland fifth. The terms of offer are 41 Iceland ordinary shares and 60 convertible preference shares for every 100 in Bejam.

The histories of Iceland and Bejam represent an intriguing reversal of the common cliché about the north-south divide in Britain. It is the northern group, Iceland, which has appeared to be dynamic and inventive over the past few years whilst the southern group, Bejam, has seemed old-fashioned and lacklustre.

Malcolm Walker

If the takeover succeeds, Iceland intends not only to refit many of the Bejam stores but also to rename the outlets Iceland. Perhaps that decision is one of the most remarkable aspects of the bid. For in the 1970s, Bejam was one of the great retail success stories, benefiting from the enormous growth in the freezer market. The number of UK households with freezers has grown from 7 per cent in 1972 to around 70 per cent today.

Mr Malcolm Walker said yesterday that his opposite number at Bejam, Mr John Apthorp, "can personally take credit for introducing frozen food retailing to Britain."

Things started to go wrong for Bejam in the 1980s. A diversification into fast food restaurants proved a failure and supermarkets started to compete hard for Bejam's bulk frozen food business. Sainsbury is now the leading frozen foods retailer with 14.4 per cent of the £2.5bn annual market, followed by Tesco (11.5 per cent), Bejam (10 per cent), Asda (7.1 per cent) and Iceland (4.2 per cent).

Faced with this competition, profit growth at Bejam slowed and, as Iceland pointed out yesterday, the Bejam share price has gone nowhere for the past four years. Diversification, through the discount grocery chain Victor Value and the Wizard Wine warehouses proved the management's enthusiasm for alliteration but did little for the bottom line.

Recently, Bejam announced it was test-marketing two variations on the freezer-centre – an upmarket and a downmarket version – a decision which Iceland criticised yesterday as showing a lack of management decisiveness.

As Bejam has faltered, so Iceland has forged ahead. In the north, out-of-town superstores have been common for much longer than in the south and Iceland has faced the competition by concentrating on ready meals – like the Tandoori pizza – and on chilled foods, particularly in its own-label products.

Iceland has also picked up many High Street sites as the supermarket chains abandoned them and now sells short shelf-life items like bread to supplement its own frozen offerings.

Nevertheless, for Iceland a move into the south-east has seemed inevitable. Around 90 per cent of households have a freezer in the south east and the "spend per head" on frozen foods is significantly higher in the prosperous southern regions. As a result, Bejam has sales of £529m and profits of £24.3m from its 267 stores, compared with forecast sales of £205m and profits of £8.8m from Iceland's 183 outlets.

Although Iceland already has some stores in the south-east, the purchase of Bejam is obviously a quicker route to expansion. And Iceland which is trading on a premium to the retailing sector, says it can buy Bejam with paper without diluting its earnings.

Iceland claims that it is far in advance of Bejam in terms of store design, distribution services and financial controls and thus will be quickly able to boost the combined group's performance.

Bejam was reserving its defence last night but the decision of the Apthorp family, which owns around 30 per cent of the equity, will obviously be crucial.

See Lex, Page 22

UK COMPANY NEWS

Volume increases and price rises in buoyant UK market help lift Redland 32% to £88m

By Clare Pearson

REDLAND, building materials group, yesterday announced results for the six months to the end of June in line with its new policy of reporting on the calendar year instead of the 12 months to end-March. Pre-tax profits reached £88.2m, or 32 per cent higher than a restated £66.6m interim result last time.

The interim dividend showed an unexpectedly large increase of 25 per cent to 6.25p. Earnings per share were 27 per cent ahead at 20.8p (16.4p).

Mr Gerald Corbett, finance director, said the UK had been the clear "star of the show" with substantial volume increases, and also price rises, in building materials against the background of buoyant UK construction.

However, improvements in margins in roofing, aggregates and tiles were masked by the inclusion of British Fuels, the coal distributor formed in July 1987 with Redland as the 55 per cent shareholder. With British Fuels, UK turnover rose 60 per cent to £437.8m although operating profits rose only from £35.5m to £46.1m.

Redland has this week exchanged contracts for the £70m cash disposal of its interest in British Fuels, which was formed by merging the fuel business of its subsidiary Cawoods to those of British Fuel Company, to a consortium.

The deal boosts British Coal's interest from 20 to 50 per cent.

Redland's overseas operations presented a mixed picture during the half year. Roofing in Australia almost trebled its profits under the impact of improved housing starts, while German roof tiles also improved, but profits from bricks in Holland were slightly down.

In the US, which makes up about 18 per cent of Redland's profits, the dominant East Coast aggregates operations were described as strong but the Colorado company (which became 100 per cent owned in June), and the Texas operation, traded profitably but at lower levels.

The transfer to 100 per cent ownership of the tiling side of an Australian former associate company added about £50m to turnover of overseas subsidiaries. This came out at £310.8m (£265m).

Operating profits were £42.5m (£32.3m).

The current year capital investment programme stands at £115m, expected to be boosted to £160m next year. Sale of the British Fuels stake has reduced gearing by about 10 per cent to 25 per cent.

Colin Corness, chairman - stressing geographical spread

● COMMENT

Since Redland generates less than 50 per cent of its profits from building materials in the UK, it has missed out on the bonanza much of its sector has enjoyed, and its shares have consequently underperformed. Now it is pushing the line that its geographical spread makes it a safer bet than some of its peers, and also selling itself as a yield stock by increasing its interim dividend by more than 20 per cent for the first time in years. But, aside from Australia, its overseas operations - Europe helped by the weather during the first half, and the US patchy - hardly sparkle, and many observers consider this an odd time for it to be running down its dividend cover. The outlook for the shares, which stand on a prospective p/e of nearly 9 if Redland makes £220m for the full year, is not exciting.

British Syphon plans to go private

By Andrew Hill

BRITISH SYPHON, Cheshire-based merchanting and manufacturing company, looks set to join the recent procession of public companies which have decided to go private.

Mr Bryan Morrall, chairman and chief executive, and Mr Christopher Shaw, managing director, are preparing to launch a management buy-out valuing the company at about £50m. This year management buy-outs have already been launched for Virgin, Glass Glover, Dwek and Invergordon.

Mr Morrall and Mr Shaw, who between them hold about 8.75 per cent intend tabling their offer at about 155p a share within the next 10 days. They will also pay off British Syphon's borrowings of about £10m.

The announcement had been made because of the recent sharp rise in the company's share price, said Mr Morrall. In the last five weeks the shares have risen from a low of 118p to 136p and yesterday they jumped a further 18 per cent to 154p.

He added that British Syphon was not disillusioned with the City - one of Mr Richard Branson's motives for taking Virgin Group private - but he and Mr Shaw felt the group could be run more successfully as a private company.

"We have been increasingly frustrated with wanting to make a decision which we know would not improve performance for some time, and yet the outside world wants constant improvements," he said.

British Syphon's interests include making and merchanting paper and packaging materials, the manufacture of engineering and chemical process equipment, and automotive spares and accessories.

Mr Morrall and Mr Shaw came to British Syphon from James Halstead Group in 1983. They may be joined in management of the private company by Mr Tony Statham, British Syphon's finance director.

Terms of T-Line bid expected to value Suter at over £300m

By Ray Bashford

THOMSON T-LINE, industrial holdings company, is today expected to finalise terms for the takeover of Suter, the group headed by Mr David Abell, which will value the company at more than £300m.

Discussions between the two companies were continuing last night and a statement is expected today which will set the scene for an agreed bid.

Suter's strategy for expansion through acquisition has been hampered since last July when the Department of Trade and Industry announced that it would begin investigations into trading in the shares of two associated companies.

Since the inquiry began Suter has been the subject of takeover speculation and has been closely examined by at least two other companies considering a bid.

Thomson T-Line yesterday confirmed newspaper reports which revealed it as the company in discussions with Suter. This followed a statement from Suter on Monday that it had received an approach which might lead to a takeover.

The offer is likely to be based on a share swap which will include a combination of ordinary and convertible preference shares. However, it is believed that negotiations have led to the injection of a cash element.

The bid is expected to value Suter's shares in excess of 260p - estimates within the City range between 265p and 275p.

Suter's shares yesterday closed 4p higher at 237p, while Thomson T-Line recovered some of the ground lost earlier in the week to close up 2p at 74p.

Suter is more than twice the size of Thomson T-Line in terms of capitalisation. Its profits during the current year are expected to reach between £36m and £40m, compared with a forecast for Thomson T-Line of between £18m and £19m.

Suggestions within the City that the offer would rest on a share swap have kept the shares under pressure and on yesterday's close are down 9p on the week.

Mr Abell, the force behind the company's expansion since 1981 into a diversified investments holding company with manufacturing and distributions operations principally in engineering, refrigeration and air conditioning, holds 3 per cent of the capital.

Robert Fleming, the London investment house acting for Suter, is the biggest single shareholder, speaking for about 15 per cent of the capital. The investment house is also a shareholder in Thomson T-Line, although its stake has been reduced recently.

Thomson T-Line, headed by Mr Julian Askin and Mr Hugh Biermann who have South African backgrounds, has like Suter, been an aggressive acquisitor. Its biggest move was the purchase last February of Vernons Pools for £90m.

Elders puts bid case to OFT

By Lisa Wood

ELDERS IXL, the Australian brewing, financial and pastoral group, has given the Office of Fair Trading its submission concerning its £1.6bn hostile bid for Scottish & Newcastle Breweries.

The submission by the brewer of Foster's lager includes proposals for S&N's product range and is understood to include plans to extend the distribution of brands including Theakstons Best Bitter into Courage pubs in the south of England.

Fears in the City that the bid may be referred to the Monopolies and Mergers Commission have helped depress S&N's share price - unchanged yesterday at £4. Elders - which is offering £4 per share - yesterday topped up its stake to over 12 per cent.

The financing arrangements of the bid yesterday provoked the resignation of Sir David Nickson, chairman of S&N, from his non-executive directorship of Clydesdale Bank. National Australia Bank, which owns Clydesdale Bank, is one of the syndicate of 11 banks providing Elders with a £1.2bn borrowing facility.

Mr Angus Grossart, S&N's Scottish financial adviser, is not however resigning his non-executive directorship of the Royal Bank of Scotland, which is also helping to finance Elders' bid.

The Royal Bank said it was quite normal for non-executive directors in the relatively small Scottish business community to have conflicting interests.

Mr Grossart had not taken part in discussions on Wednesday when the bank's board discussed its decision to join the syndicate.

Mountleigh in concession agreement with Ivarte

By Clare Pearson

MOUNTLEIGH, the property group, is making its biggest move yet in developing the "shop-within-a-shop" potential of its Spanish department store chain Galerias Preciados through a concession agreement with Ivarte, the Spanish electricals retailer owned by UK-based European Home Products.

The arrangement, which initially runs for nine years, is that Ivarte will operate the electrical and photographic departments in the 29 stores, paying a rental of 10.5 per cent of sales. Galerias also gains an option to add the credit business of Ivarte's 68 independent shops to its own consumer credit side.

Ivarte claims the deal will, at a stroke, make it the biggest electrical chain operating in Spain. It expects sales in the Galerias stores to exceed £40m this financial year.

Galerias was acquired by Mountleigh last year from Organizacion Diego Cisneros, the Venezuelan group to which it sold Paternoster Properties, a portfolio which includes Paternoster Square, next to St Paul's in the City of London, earlier this month.

Subsequent to Galerias' purchase, initially as a property play, the loss-making chain proved a blight on Mountleigh's share price and the company has been anxious to stress its turnaround possibilities. The Paternoster sale involved ODC retiring some £80m worth of loan notes issued as part of the Galerias consideration.

Mountleigh, which has recently signed up Marks & Spencer to add a concession in Galerias' Barcelona shop to its existing outlet in Madrid, now has a string of other UK retailers who have contracted to take on concessions. These include Habitat and Mothercare, both owned by retail combine Storehouse, and Windsmoor, the fashion house.

For these retailers, taking out a franchise with Galerias offers an extremely quick means of establishing themselves in Spain: difficult to do independently because of Spanish property laws.

Michael Peters Canadian purchase

By Andrew Hill

MICHAEL PETERS Group, design and communications consultancy, is to buy Communique. Canadian corporate communications group.

The initial payment is C$2.79m (£1.31m) - C$2.33m in cash and the balance in shares - and further profit-related payments up to a total of C$37m in cash and shares.

Mr Ian Farnfield, Michael Peters' chief executive, said that the proposed "earn-out" involved very little risk for the UK group, and was important as an incentive for Communique's managers.

The Canadian company is based in Toronto, where Michael Peters already has a subsidiary. Communique prepares audio-visual packages, meetings, conferences and events. In the year to June 30 it made C$736,000 before tax on turnover of C$9.48m.

Mr Farnfield said Michael Peters was interested in opportunities for further expansion in North America and the Far East.

Major holder calls for Nordic to be wound up

By Philip Coggan

BYLOCK INVESTMENTS, the investment group which owns 29.9 per cent of Nordic Investment Trust, yesterday called on shareholders to vote in favour of the winding-up of the trust at an extraordinary general meeting on November 4.

At a recent annual general meeting, 65 per cent of shareholders voted in favour of holding the egm, but a 75 per cent majority of votes cast is needed to wind up the trust.

In a circular to shareholders, Mr Mark Thomson, managing director of Bylock, was sharply critical both of Nordic's record and of GT Management, the manager.

Mr Thomson is also chairman of Moorgate Investment Trust and General Consolidated Investment Trust.

He described as a "fiasco the discovery at the las annual meeting that there wa an error in the Articles o Association. And yesterday, i an interview, he criticised th fact that no Scandinavia investment adviser had bee appointed to replace Svensk Handelsbanken, whic resigned this year.

GT pointed out that Byloc only acquired its stake earlie this year, an odd decision if i felt the trust's investmen record was inadequate. On th Svenska issue, it said tha there were three Scandinavia trust directors, who were abl to give informed advice.

The position of Sun Life which owns 14 per cent of th trust, is expected to be cruci in the EGM vote.

Management changes at enlarged Mecca Leisure

By Philip Coggan

MECCA LEISURE yesterday revealed the details of management changes in the group following the successful £750m bid for fellow leisure company Pleasurama.

Of the Pleasurama directors, only Mr Alan Goodenough and Mr Barry Hardy will be invited to join the enlarged group's board. Mr Nat Solomon, Pleasurama's chairman, will remain with the group as a consultant.

Negotiations are currently proceeding with the other Pleasurama directors on details of their compensation.

Mr Hardy will be director in charge of casinos and Mr Goodenough will be in charge of amusement machines. Mecca's dance halls will be subsumed within a general leisure division, run by Mr Barry Anderson.

The holiday businesses will be combined in a new division, run by Mr John Gerry, and the commercial hotels will be combined with catrering in a division run by Mr Mike Ludbrook.

The other members of the ten-strong board headed by Mr Michael Guthrie, chairman and chief executive, are Mr Ian Baker (property), Mr Mike Lavington (services), Mr Jeremy Long (finance) and Mr Ernest Sharp (non-executive).

Airflow Streamlines up to £1.68n

Pre-tax profits at Airflow Streamlines rose from £983,000 to £1.68m on sales up 21 per cent to £28.84m in the six months to August 31. Earnings per share advanced from 7.18p to 12.43p.

The directors have double the interim dividend to 2p reduce disparity with the fina

Airflow makes assemblie and pressings for the autom bile and allied industries and also a Ford main dealer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airflow Stream. ....int	2	Jan 4	1	-	5
Glasgow Income ....int	0.4	Nov 30	—	—	—
Majedie Invs ....fin	4.5	-	4.5	6.5	6.5
Nat Home Loans ......fin	3.75†	Jan 13	3.28	7.01	5.64
New Cavend Ests .....fin	1.5	Dec 20	1.5	1.5	1.5
Redland ....int	6.25	Dec 5	5	-	15.85
Seca Tst of Scot ....int	1.5	-	1.2	-	3.6
Smaller Cos Intl ....int	0.75	-	nil	-	1.5
Smallshaw (Knit).......int	0.75	Jan 3	0.75	-	3
Tie Rack ....int	0.465	Dec 14	0.365	-	1.21
Transcont. Servs........int	6☆	-	3.57	-	9.57

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency. This is a second interim making 2p to date for 18 month period. ☆Gross.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aran Energy, Bridgend Group, Butte Mining, Channel Tunnel Inv., Clayton,Son & Co., Craig & Rose, Durham (D.G.) Group, El Oro Mining Expl., England (J.), Expedier Leisure, Exploration Co., Fairhaven Int'l., Feedex Agricultural Inds., Ferguson Ind. Hldgs., French Connection Group, Gears Gross, Grand Central Inv., Hopkinsons Hldgs., Lendu Hldgs., New Throgmorton Tst., River & Mercantile Geared Cap. Inc. Tst.

FUTURE DATES

Interims-

Brown (N.)	Nov. 7
Electrocomponents	Nov. 10
Yale & Valor	Nov. 8
Finals-	
Bailey (C.H.)	Nov. 4
British Empire Secs & Gen.	Nov. 18
Drayton Cons Tst.	Nov. 1
Fairline Boats	Nov. 29
Hartwell	Nov. 9
Pegasus Grp.	Nov. 2

UK COMPANY NEWS

National Home Loans advances to £23m and plans to diversify

By David Barchard

NATIONAL HOME Loans Corporation more than doubled pre-tax profits to £23m in the year to September 30, against £11m recorded a year earlier.

Mr John Darby, chairman, said the "excellent" results had been achieved during a year of increased competition in the mortgage markets and at a time when interest rates had been more volatile than expected.

The results were favourably greeted by analysts in the City, although it was pointed out that NHLC had somewhat improved its profit figure by bringing forward a placement for £100m to Banque Paribas.

During the year, NHLC advanced £1.2bn net of new mortgages and at September 30 it had £2bn of mortgages under management.

Income from mortgage interest was £130m (£64m). Net interest income was £29.4m (£14.9m). However, operating expenses more than doubled to £13.4m (£6.5m). Mr Kevin Milner, managing director for finance and development, attributed the increase to the development of infrastructure and the hiring of more than 200 extra staff during the year to handle growing business volumes.

Fully diluted earnings per share amounted to 11.5p (9.3p) and the proposed final dividend of 3.75p per share (3.28p), brings the total for the year to 7.01p (5.64p). The p/e ratio was 10.7.

Mr Richard Lacey, chief executive, said the company planned to develop alternative sources of securitisation.

A £260m private financing scheme from non-banking sources was about to be completed. This would give it a revolving finance facility with unrestricted levels of substitution to replace redeeming mortgages.

The group was planning to broaden its activities to include mortgage credit insurance, selected commercial mortgage lending, secured second mortgage business, leasing, and residential property development finance.

● COMMENT

NHLC has pushed itself into the top mortgage lenders and these results are doubly impressive for having been achieved during a year in which market conditions favoured the building societies and squeezed centralised lenders. That said, prospects for the next six months look much flatter, given the state of the housing market, and NHLC seems unlikely to be able to push its earnings up very much further. As Mr Lacey indicated yesterday, the way forward for increased profitability seems to lie with diversification into new activities. However, these could push costs up quicker than profits. Perhaps the time has come when NHLC should be thinking of taking a leaf out of the books of some of its building society competitors, and turning itself into a fully-fledged bank.

Industry backing for Pittard call

By Nikki Tait

FURTHER supporters are backing the call by Pittard Garnar for the reference of the unwanted £41m bid by rival leather company, Strong & Fisher, to the Monopolies and Mergers Commission.

Both the National Union of the Footwear, Leather and Allied Trades and the British Footwear Manufacturers Federation have written to the Office of Fair Trading, arguing that the bid should be referred. A number of MPs have already expressed concern.

The bid heads for its first close on November 9. The Department of Trade and Industry usually tries to clarify the monopolies position by the first closing date of an offer.

Securiguard expands with £5.5m acquisition of HeMan

By Vanessa Houlder

SECURIGUARD, the security, cleaning and communications group, yesterday took a further step into personnel services with a £5.5m acquisition of HeMan Contracts, which provides contract labour to the building, construction and civil engineering industries. The deal will be financed by a £12.25m placing and offer to shareholders.

HeMan Contracts, along with the recently acquired Action Secretaries and Portman Recruitment Services, will form the basis of a new personnel services division. The company said that this diversification was designed to benefit from the trend towards the use of temporary and contracted staff that has resulted from shortages of skilled labour.

The directors said that Securiguard's trading and underlying business growth remained highly satisfactory. Pre-tax profits before exceptional items are forecast to be at least £3m for the 54 weeks to November 6. A final dividend of 4.3p per share is forecast.

HeMan is believed to be the largest recruitment and contract labour agency in the UK that specialises in construction and related industries. It made pre-tax profits of £946,000 before exceptional items in the year to June 30 1988, at which time it had net assets of £845,000.

Portman Recruitment Services, recently acquired for a minimum of £500,000, specialises in the secretarial, computing, banking and legal fields. Action Secretaries, which was acquired on Wednesday for an initial payment of £758,000, specialises in temporary secretaries and office personnel.

The initial payment for HeMan will be £5m in cash and £500,000 in shares with further payments dependent on performance. The final payments for Portman and Action will also depend on profits.

In addition to the HeMan acquisition, the rights issue will be used for working capital and possibly to finance future acquisitions in the UK and US.

The company is issuing 6.23m shares at 207p per share on a three-for-five basis, all of which have been conditionally placed by Phillips & Drew.

COMPANY NEWS IN BRIEF

AEROSPACE ENGINEERING has received acceptances in respect of 117,694 (78.46 per cent) John Curran ordinary. The offer has been declared unconditional as to acceptances.

BET has acquired Seatrans, a Dutch transport and distribution company, through its subsidiary United Transport International.

GLASGOW INCOME Trust reported net asset value of 46p at September 30, against 45.4p when it came to the market in early July. It is paying an initial interim dividend of 0.4p for the year to the end of September 1989 and expected the total for the period to be not less than 3.44p.

HARLAND SIMON Group is buying the trade and certain assets of the electro-flyte division of Black Clawson of the US for a maximum $1.75m (£1m).

S JEROME has received acceptances for 549,269 ordinary (70.72 per cent) of the open offer. The remaining shares have been taken up by placees.

LEIGH INTERESTS has acquired the waste disposal interests of J R Mac and of Monolife, trading as Clarke Environmental. The combined consideration was £259,000 cash. So far this year Leigh has invested £2.8m in 10 acquisitions.

NOBO has, through its subsidiary Perforex, agreed to acquire Velos (RP), manufacturer and supplier of office products. Consideration is £100,000 cash and a further sum up to £475,000 depending on stock levels at the completion date. In 1987, Velos made pre-tax profits of £101,000.

PARKLAND TEXTILES has formed a new company, Ottoman Pacific, as a joint venture with S C Yarns, Yorkshire yarn merchant.

SECURITIES TRUST of Scotland: Net asset value 125.2p (153p) at September 30 after deducting prior charges at par and 125.8p (153.8p) at market value. Net revenue for the six months £3.69m (£3.31m) for earnings of 2.28p (2.04p). Interim dividend 1.5p (1.2p).

SMALLER COMPANIES International Trust: Net asset value 129.5p at end-September against 123.4p six months earlier. Interim dividend 0.75p (nil). Net revenue after tax was £585,000 (£308,000). Earnings 1.47p (0.77p) per share.

STANLEY LEISURE: In view of recent press comment, the chairman confirmed that the company had not received a bid approach, and he was not aware of any company building up a large holding.

WACE GROUP has received acceptances in respect of 12.63m new shares – about 95.49 per cent of the rights issue. The remaining shares have been sold in the market.

WICKES has signed a £150m multi-currency facility related to the acquisition of Hunter.

Beazer sees £138m profit

BEAZER IS projecting pre-tax profits of about £138m for the year to the end of June 1989, a rise of 20 per cent on the previous year's £114.7m reported earlier this week. Mr Brian Beazer, chairman, added that it would soon announce a major restructuring of its borrowings.

The news was given to a meeting of financial analysts in New York yesterday.

He added that the company's internal projections indicated that worldwide sales for the present year would be about £2.2bn, compared with last year's £1.34bn.

Eve in £8m sale

Eve Group has completed the sale of one its main development sites in Dorking, Surrey for £8m. Directors of this USM-quoted company said that taxable profits for 1988/9 should be about £6.5m, compared with £2.53m the year before.

A special dividend of 10p, to be paid with the interim for the present year, has been declared.

Portmeirion Potts' listing

PORTMEIRION Potteries (Holdings) is joining the main market in a placing which values the group at £17.2m, writes Philip Coggan.

The Stoke-on-Trent-based company was founded in the Welsh village of Portmeirion. The designer of many of the company's pottery products and the deputy chairman is Ms Susan Williams-Ellis, daughter of Portmeirion creator Sir Clough Williams-Ellis.

Sales last year were £7.4m and pre-tax profits have grown from £385,000 in 1985 to a forecast £1.5m this year.

Kleinwort Benson is placing 2.4m shares, 25 per cent of the equity, at 180p each for a prospective p/e of 14.

New Ireland in the black at half year

A first half 1988 pre-tax profit of £1.68m was achieved by New Ireland Holdings, compared with a loss of £3.74m.

That reflected a return to profitability at Irish National Insurance, the general insurance subsidiary, and a continued strong performance at New Ireland Assurance. Earnings were 10.23p (losses 70p).

PUBLIC WORKS LOAN BOARD RATES

Effective August 12

Years	Quota loans repaid by EPT†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			11⅛			11⅞
Over 1 up to 2	11	11	10½	12	12	11¼
Over 2 up to 3	10⅝	10⅝	10⅜	11⅝	11⅝	11⅛
Over 3 up to 4	10½	10⅜	10¼	11½	11⅜	11
Over 4 up to 5	10⅜	10⅜	10¼	11⅜	11⅜	11
Over 5 up to 6	10¼	10¼	10¼	10¾	10¾	10¾
Over 6 up to 7	10¼	10¼	10¼	10¾	10¾	10¾
Over 7 up to 8	10¼	10¼	10⅛	10¾	10¾	10⅝
Over 8 up to 9	10¼	10⅛	10	10¾	10⅝	10½
Over 9 up to 10	10⅛	10¼	9⅞	10⅝	10¾	10⅜
Over 10 up to 15	10⅛	10	9⅝	10⅝	10½	10⅛
Over 15 up to 25	9¾	9½	9⅜	10¼	10	9⅞
Over 25	9⅜	9¼	9¼	9⅞	9¾	9¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Mezzanine Capital Corporation Limited

Notice to the holders of the fully paid Bearer Depositary Receipts ("BDRs") evidencing Participating Redeemable Preference Shares of US 1 cent each ("Shares") of Mezzanine Capital Corporation Limited (the "Company")

Notice of Dividend and Capital Repayment

NOTICE IS HEREBY GIVEN to the holders of the BDRs that the Corporation has declared a final dividend for the financial year ended 31st May, 1988 of US$0.2572 per share. The BDRs are denominated in multiples of units ("Units"). Each Unit currently comprises 52 Shares. The dividend is, therefore, equivalent to US$13.37 per Unit.

The Corporation has also given notice that it intends to redeem an aggregate of 1,485,000 Shares at a price of US$11.40 per share. This will involve the redemption of 15 Shares in respect of each Unit and this capital repayment is equivalent to a further US$171.00 per Unit.

In accordance with Condition 8(B) of the conditions endorsed on the BDRs the number of Shares comprising a Unit will, following the redemption, be adjusted from 52 to 37. The number of units evidenced by each BDR will remain unchanged.

Payment of this dividend and of the capital repayment will be made, subject to receipt thereof by Manufacturers Hanover Bank (Guernsey) Limited ("the Depositary"), against surrender of Income Coupon No. 9 (INC No. 9) and Redemption Coupon No. 9 (RED No. 9) respectively, at the specified office of the Depositary or of any of the Paying Agents (set out on the reverse of the BDRs and at the foot of this Notice), at any time on or after 28th October, 1988.

Payment will, in each case, be made, subject to any laws and/or regulations applicable thereto, by dollar cheque drawn upon, or at the option of the holder of the relevant Coupon, by transfer to a dollar account maintained by the payee with, a Bank in New York City.

Copies of the Corporation's Annual Report may be obtained from the Depositary and Paying Agents.

BDR holders are advised that as a result of the capital repayment of US$171.00 per unit, the net asset value per unit of the company will be reduced from US$592.77 to US$421.77. BDR holders should note that the price per unit quoted on the London Stock Exchange will adjust accordingly.

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St. Peter Port, Guernsey
Dated 28th October, 1988

by: Manufacturers Hanover Bank (Guernsey) Limited
Depositary

UK COMPANY NEWS

Car dealer prepares to tackle continental rivals on their own turf

Inchcape plans drive into Europe

By John Griffiths

INCHCAPE, trading group, has developed detailed plans to exploit Europe's intended single market with a multi-country network of car retailing and distribution outlets.

Mann Egerton, the subsidiary through which Inchcape's continental "invasion" is being mounted, has already bought one Paris-based organisation for £2.6m. And it expects to spend at least a further £25m buying further companies in Germany, France, the Netherlands and Switzerland over the next 18 months.

This is the first attempt by an independent UK distribution group to tackle Europe's retail car market on this basis. There has also been no sign of continental distributors seeking to move outside of their own national markets in similar vein.

Mann Egerton's strategy was drawn up after a 12-month study by Inchcape of market opportunities in mainland Europe.

The first step has been for Mann Egerton to acquire Franco Britannic Automotives. This group, previously owned by TAG of Switzerland, is the distributor in northern France of Rolls-Royce, is the largest Jaguar dealer in France and it also represents the Rover Group.

Three more acquisitions are in immediate prospect in other countries, with a total of between 12 and 15 planned by 1990, according to Mr Richard Martin, Mann Egerton chief executive and a former senior executive of Lex Service.

Mann Egerton itself has expanded rapidly during the recent car distribution and retailing boom in the UK. It now has 60 outlets in the UK representing 19 vehicle franchises, used car and after-sales operations.

It still forms only part of Inchcape's automotive operations world-wide, which are headed by Mr Derek Whittaker, former managing director of Leyland Cars.

These activities accounted for more than half of Inchcape's £2.04bn turnover last year.

Mr Martin stressed that the intended creation of a single EC market after 1992, and the

Derek Whittaker — Inchcape's head of automotive operations

uncertain future after 1995 of the block exemption which protects franchised vehicle networks within the EC, was not the sole reason for the decision to attack continental markets.

The best UK vehicle distribution groups, he contended, had acquired higher levels of retailing and service support skills than were typical on the continent, Mann Egerton believed that its own expertise in this area offered the opportunity for fast growth in continental markets, whereas prospects for UK distribution groups to sustain their hitherto rapid rate of expansion in the domestic market were diminishing.

The proclaimed belief that UK distributors can beat the service standards of automotive groups in other countries also lies behind the Lex Service announcement, a few months ago, that it was entering the US car retailing market with the acquisition of a Californian distribution group.

Mr Martin said Mann Egerton was starting initially with specialist marques like Jaguar and Rolls-Royce both because they were already very familiar to the Inchcape subsidiary and because, unlike most volume car franchises, many of the dealerships were privately owned.

They would thus be able to benefit from the extra financial resources, as well as depth of management, which Mann Egerton would inject.

All-round growth pushes Tie Rack ahead 72% to £374,000

By Vanessa Houlder

TIE RACK, niche retailer, yesterday announced a 72 per cent rise in profits for the 28 weeks to August 14. The taxable result increased from £217,000 to £374,000. Last time however there was an exceptional debit of £64,000 relating to the opening of a new central warehouse. Inclusion of this into the pre-tax figure reduces the rise to 33 per cent.

Mr Roy Bishko, chairman, described the results as very pleasing. The company had made "tremendous progress" in developing its products by improving their range, quality and marketing, he said.

Retail sales increased by 16 per cent on a like-for-like basis. The total number of shops has increased to 187, of which 119 are in the UK and 68 overseas. Mr Bishko said that the group was on course for 210 shops (of which 80 will be abroad) by the financial year-end.

In the US, the group's major development area, 19 shops have been opened. This has been achieved at a lower-than-expected cost and the company expects a marginal profit this year. The company is already into profit in continental Europe, where it has 15 shops.

New warehouses and offices have been opened in New Jersey, US, and additional warehouse and office space has been leased in West London.

Turnover increased by 60 per cent from £9.55m to £15.24m. Earnings per share increased by 60 per cent to 0.69p (0.43p). The interim dividend has been increased by 27 per cent to 0.465p (0.365p).

● COMMENT

Mr Bishko bristles with confidence – as, on the face of it, well he might. These results were better than expected and reflected a creditable boost to sales in existing shops and Tie Rack's remarkably good reception in the US. The US success underlines Tie Rack's growth prospects – the overseas outlets are in their infancy while there is still scope to double in size in the UK. The company still has a sound financial structure and its method of franchising means it can expand quickly without losing control. But for all that, Tie Rack's confidence does not seem altogether shared by the City. The share price is 30 per cent lower than at the time of the last set of results and, even after yesterday's 4p rise to 92p, it is miles away from last year's 145p offer price. The reason is, perhaps, a general (though far from universal) disenchantment with niche retailers. In addition, there are worries that the management is a one-man band, following the recent departure of two of the company's senior directors. These fears however seem overdone. The company may well make profits of £3.8m for the year, putting it on a multiple of 13, which – perhaps for the first time in Tie Rack's stock market history – seems undemanding.

Raine criticises OFT delay

By Andrew Hill

RAINE INDUSTRIES, the housebuilder bidding for Ruberoid, the roofing materials company, is increasingly unhappy about the time taken by the Office of Fair Trading to consider the recommended counter-bid from Tarmac, construction and building materials group.

The company claims the delay is costing Raine £117,000 a week in underwriting fees. A decision on whether to refer the Tarmac bid to the Monopolies and Mergers Commission had been expected before Wednesday, the first closing date of Tarmac's offer.

Mr Peter Parkin, Raine's chief executive, said yesterday: "I feel very strongly that the OFT has failed to act in reasonable time. They have had eight weeks."

The lengthy takeover battle, already in its 14th week, is set to run for at least another five days. Both companies yesterday extended their offers until 3 pm next Wednesday.

Tarmac yesterday announced it owned or had received acceptances of its 280p-a-share cash offer representing 41.3 per cent of Ruberoid's share capital. Some 26 per cent of the target's shares are committed to Raine's hostile cash-and-shares bid, which values each Ruberoid share at 242p.

The OFT said the delay was principally due to the large number of representations about the Tarmac bid submitted by third parties, such as trade organisations. A decision was not imminent, the OFT added.

Tarmac and Ruberoid are competitors in the roofing materials market. If the agreed bid is successful, they have agreed to dispose of overlapping businesses in an attempt to counter monopolies problems. Tarmac said yesterday it had now prepared the ground for the divestments, and was "quite relaxed" about the delay in the OFT's decision.

Lawrie dives to £677,000

Reduced profit from the estates in Malawi and the absence of exceptional investment sales hit the Lawrie Group of plantation companies in the first half of 1988.

Pre-tax profit fell from £3.47m to £677,000. On a reduced turnover of £2.04m (£2.3m) there was an operating loss of £232,000 (profit £104,000), excluding interests in Bangladesh. Investment and other income was held at £1.1m (£1.16m) but the surplus on the sale of fixed asset investments was only £98,000 (£2.47m).

In Malawi, the estimated profit of the British African Group for the year ended June 30 1988 was down from £552,000 to £278,000, mainly because of a shortfall in the coffee price. That had recently improved considerably but the same could not be said of tea prices, directors reported.

Results from Bangladesh could show an encouraging improvement if the current lead in both production and sale price was maintained. But over 70 per cent of the crop had yet to be sold.

Earnings worked through at 9.14p (116.44p) per £1 share after tax of £187,000 (£506,000) and minorities of £3,000 (£2,000).

Majedie

A final dividend of 4.5p from Majedie Investments makes a maintained total of 6.5p for year ended September 30 1988. Earnings per 10p share were up from 6.51p to 6.55p.

Investment income totalled £3.15m (£3.12m) and pre-tax revenue £2.45m (£2.48m).

Net asset value came to 283p, compared with 257p six months' earlier and 344p at September 30 1987.

Low market activity and administration costs cut Globe Inv

CONTINUING low market activity and increased administration expenses cut first-half attributable profits at Globe Investment Trust by 5 per cent from £12.3m to £11.7m in the six months to September 30.

However, fully diluted net asset value rose 6 per cent to 180.81p (170.62p) per share, recovering some of the ground lost due to the stock market crash last year, before which net assets stood at 232.35p per share. Shareholders' funds increased from £910m to £966m.

Mr David Hardy, chairman of Globe, the UK's largest investment trust, said underwriting commission and other market-related earnings had been reduced in the dull market.

Listed investment income was up to £17.3m (£14.4m), but income from unlisted investments fell to £3.04m (£3.78m). Interest income more than halved to £992,000 (£2.11m) and other income dropped from £2.42m to £1.88m. Subsidiary companies' earnings were also down, from £3.38m to £2.57m.

Globe said higher salaries and staff numbers, increased advertising and the final costs of the listing on the Tokyo Stock Exchange, had contributed to the 46 per cent rise in administration expenses to £1.78m (£1.21m). Mr Hardy said that the percentage increas would not be as great at th full-year stage.

Earnings per share fell fro 2.38p to 2.21p and the grou declared an increased interi dividend of 1.61p (1.52p). Th shares rose ¼p yesterday t close at 148¼p.

● COMMENT

Globe has just about met i twin investment objectives raising its dividend at least a fast as the rate of inflation ar growing its net asset valu faster than the FT-All Sha index, but its performance h been hardly dazzling. Over t last year its shares have ris by 4¾ per cent, while those Foreign & Colonial have ris almost twice as fast. Of cours movements in discounts a currency movements ha played a part, but if only t performance of its quoted po folio would come a little clos to matching that of i unquoted portfolio then Glo might become a more excit animal. With the demise TRIG, there is bound to speculation that Globe's b gest shareholder, the Briti Coal pension funds, will o day try and take advantage Globe's current 20 per ce plus discount to net as value. Size is no longer a re istic defence.

'Quite a lot of interest' in GFW's RHM stake

By Nikki Tait

GOODMAN FIELDER Wattie, the Australasian company which is currently seeking offers for its 29.9 per cent holding in Ranks Hovis McDougall, UK bakeries and food group, said yesterday that there had been "quite a lot of interest" in the holding from potential purchasers.

However, Mr Cliff Lyon, GFW's European director, declined to speculate on the number of firm inquiries which the group expected to be registered today, the closing date for expressions of interest.

He stressed that any sale might still take time to complete, although he added that GFW hoped to have concluded any negotiations by Christmas.

Morgan Grenfell, which is advising RHM, said yesterd that the company would not put up "its own runner" that is, a preferred purchas – but said that if GFW's s procedure failed to produce buyer, then "naturally i would be interested in se what could be done".

GFW put the stake up sale after seeing its £1.7bn for RHM referred to t Monopolies and Mergers Co mission this summer. Yest day, it said that it was transf ring the stake – 103.7m shar – to its European subsidia However, this is describ solely as a matter of inter reorganisation.

Yesterday, RHM shar eased 4p to 388p, valui GFW's stake at £402m.

New Cavendish ahead

NEW CAVENDISH Estates reported pre-tax profits of £367,844 for the year to end-June 1988, a 24 per cent increase on £295,420 last time.

After rents payable and other property outgoings of £278,463 (£280,585) net rental income totalled £428,212 (£465,247).

Gross profits from property trading rose to £291,389 (£76,636) and interest and other income came to £262,088 (£260,114). Earnings worked through at 1.33p (1.63p) and the dividend is again 1.5p.

There was a share of losses of an associated comp amounting to £125, (£113,207) arising from the c pany's investment in Br holding has been disposed o a profit of £717,000 which fo part of an extraordinary cr of £1.03m (£309,000).

The company said that w its strong cash position a low gearing coupled with appointment last week o new management team it i well placed to take advant of opportunities within existing portfolio and i marketplace as a whole.

Monarch Resources into $761,000 net loss midway

By Kenneth Gooding, Mining Correspondent

MONARCH RESOURCES, the London-quoted gold mining company with operations in Venezuela, reported a pre-tax loss of US$717,000 on a turnover of $396,000 for the half-year to June 30.

There were also currency losses of $515,000, and the net loss came to $761,000. No dividend will be paid.

Mr Andrew Nelson, finance director, pointed out that the company's functional currency was in US dollars but until recently most of its liquid funds were in sterling. This resulted in a $1.465m currency gain in the second half of last year, followed by the loss in the six months to June.

The policy had now been changed and over 90 per cent of its liquid funds was in dollars so currency fluctuations in future should be minimal.

No comparative figures were given because the company had not started trading in June last year. Monarch raised £8.6m via a share placing last July and in May this year called for a further £17.8m net through a rights issue and subscription.

At June 30 Monarch had net current assets, mainly in liquid funds, of $35.4m.

The company reported that delays had occurred at its Mocupia Gorge project, where gold will be recovered from waste dumps, and start-up, previously scheduled for this month, had been delayed to March next year. Production for sale at full capacity was expected in the second quarter of 1989.

Central & Sheerwood returns to profit

Central & Sheerwood, a castings and components manufacturer and machinist which started a substantial capital reconstruction in May 1987, returned to the black in the first half of 1988.

It reported profits of £163,000 at the pre-tax level, against losses of £941,000 last time. Turnover increased from £15.47m to £16.63m. For the full 1987 year, C&S incurred losses of £2.3m, after providing some £1.43m for reorganisation, redundancy and rationalisation costs, on turnover of £28.38m.

Earnings per 1p share worked through at 0.65p (losses 0.7p). As had been foreshadowed, the directors are not yet reinstating the payment of dividends, last paid in June 1983.

The directors said that the profit would have been substantially higher but for the adverse effect of the Ford strike in the first quarter on the business of A L Dunn, aluminium engineer. However, a more satisfactory level of output had been achieved since the strike. Coventry Apex, castings machinist, had also performed well they said.

With the benefit of the increased resources and the loan commitment made by Pergamon Holdings, the company's main shareholder along with Robert Fraser Group, the directors said that C&S was moving ahead with its important capital expenditure programme. They were encouraged by the opportunities for the property division to broaden the base of the company's earnings.

Smallshaw little changed

THE DIRECTORS of R. Smallshaw (Knitwear) expect the 1988 profit to show an improvement over the £440,000 of 1987.

For the first half there is little change at £229,000 (£227,000).

Turnover and profit from Mill Hill Knitwear were slightly ahead, the directors said, but Brookside Dyers and Finishers was unable to increase sales because of a general shortage of commission work.

Overall, turnover rose to £4.69m (£4.28m).

Earnings worked through at 5.95p (5.9p) and the interim dividend is held at 0.75p.

Smallshaw is acquiring freehold factory premises in Hinckley, Leicestershire, so it can more fully utilise the knitwear processing capacity available within the group.

Consideration will be some £290,000 in cash and it is expected that 90 employees will be transferred for continuous employment.

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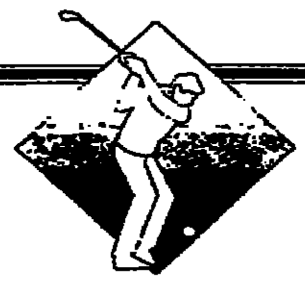

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COMPANY NOTICES

RAND MINES LIMITED
DIVIDEND DECLARATION

On Thursday, 27 October 1988, the directors of the company declared dividend No 98 as a final dividend in respect of the year ended 30 September 1988 as follows:

Amount (South African currency)	345 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	1988 Friday, 25 November
Registers closed from to (inclusive)	Saturday, 26 November Sunday, 4 December
Ex-dividend on Johannesburg and London stock exchanges	Monday, 28 November
Currency conversion date for sterling payments to shareholders paid from London	Monday, 28 November
Dividend warrants posted	1989 Tuesday, 3 January
Payment date of dividend	Tuesday, 3 January
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Tuesday, 3 January 1989 upon presentation of coupon No. 100.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg and London offices of the company.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per F D W PEACHEY

REGISTERED OFFICE:
13th Floor, The Corner House
63 Fox Street
Johannesburg 2001
(PO Box 62370, Marshalltown, 2107)

SECRETARIES IN THE UNITED KINGDOM:
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ

UNITED KINGDOM REGISTRARS, TRANSFER AND PAYING AGENTS:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

27 October 1988
(Incorporated in the Republic of South Africa)
Registration No. 01/00658/06

RM RAND MINES
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TECK CORPORATION NOTICE TO WARRANTHOLDERS

Notice is hereby given to the holders of Class B Subordinate Voting Share Purchase Warrants (the "Warrants") issued under the Warrant Indenture dated as of November 20, 1986 between Teck Corporation and National Trust Company that the Warrants expire at 4:00 p.m. Toronto time, on November 21, 1988 and thereafter the Warrants will be null and void.

Warrantholders wishing to exercise Warrants must surrender, or send by mail or other means, the Warrant certificate with the subscription form duly completed together with the required payment in accordance with the terms of the Warrant Indenture to a principal office of National Trust Company in Toronto, Montreal, Calgary, Winnipeg or Vancouver or to the office of Bankers trust Company, London, England to be received at such office at or prior to 4:00 p.m., Toronto time, November 21, 1988.

Teck Corporation
R.F. Mossman
Secretary

Toronto, Ontario
October 20, 1988

B.A.I.I. FINANCE COMPANY N.V.

USD 70.000.000 floating rate notes 1982-1989 The rate of interest applicable to the Interest Period from 26 October 1988 up to 26 April 1989 as determined by the reference agent is 9 per cent per annum namely USD 227.50 per note of USD 5.000,-.

IU INTERNATIONAL CAPITAL CORPORATION N.V.

US$85,000,000 RETRACTABLE FLOATING RATE NOTES DUE 1992

NOTICE IS HEREBY GIVEN that for the interest period commencing 31st October 1988 the Notes will bear interest at the rate of 9⁵/₁₆% per annum. The interest payable on 31st January 1989 against coupon No. 17 will be US$234.79 per US$10,000 Note.

Agent Bank, Orion Royal Bank Limited

COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS

RYODEN TRADING COMPANY, LIMITED

U.S.$30,000,000 3½ per cent. Guaranteed Bonds 1992 with Warrants

Pursuant to sub-clause (xiii) of clause 3 of the Instrument dated 22nd October, 1988 (the "Instrument") relating to the above-mentioned Warrants (the "Warrants"), the following notice of an adjustment to the Subscription Price (the "Subscription Price") of the Warrants is hereby given.

Ryoden Trading Company, Limited (the "Company") made a public offering outside Japan of U.S.$55,000,000 5⅛ per cent. Guaranteed Bonds 1992 with Warrants to subscribe for shares of common stock of the Company issued on 27th October, 1988 at the Subscription Price of Japanese Yen 926.00 per share, which is less than the current market price per share of Japanese Yen 970.80 calculated as provided in the Instrument.

As a result of the above public offering, the Subscription Price of the Warrants has been adjusted, pursuant to clause 3 of the Instrument, from Japanese Yen 825.50 to Japanese Yen 818.70 effective as of 28th October, 1988 (Japan time).

RYODEN TRADING COMPANY, LIMITED

Dated 28th October 1988.

KB IFIMA N.V.

KB Internationale Financieringsmaatschappij N.V.

US$150,000,000
Guaranteed Floating Rate Notes Due 2011

In accordance with the Description of the Notes, notice is hereby given that for the interest period from October 27, 1988 to January 27, 1989 the Notes will carry an interest rate of 8.775% per annum.

The interest payable on the relevant interest payment date, January 27,1989 against coupon n°11 will be US$ 224.25 per Note of US$ 10,000 nominal and US$ 5,606.25 per Note of US$ 250,000 nominal.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

THE ROYAL BANK OF CANADA US$350,000,000

Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period 31st October 1988 to 30th November 1988 has been fixed at 8⁷/₁₆ per cent per annum. On 30th November, interest of US$7.03125 per US$1,000 nominal amount of the debentures will be due for payment. The rate of interest for the period commencing 30th November 1988 will be determined on 28th November 1988.

ORION ROYAL BANK LIMITED
Agent Bank and Principal Paying Agent

CORRECTION NOTICE CHASE MANHATTAN BANK LUXEMBOURG S.A. NOTICE OF CHANGE OF ADDRESS

Re the notice published on 18.10.88 the new address should be as follows:
5 Rue Plaetis
L-2338 LUXEMBOURG-GRUND

All other details remain the same

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No 006460 of 1988
IN THE MATTER
MAXWELL COMMUNICATION CORPORATION plc
and
IN THE MATTER of
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 27 July 1988 presented to Her Majesty's High Court of Justice for confirmation of the cancellation of the Share Premium Account of the said Company amounting to the sum of £[illegible].

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 7th day of November 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

Dated the 18th day of October 1988

FRESHFIELDS (IT/TGC)
Whitefriars House
17-24 Cathedral Place
London EC4M 7JA

Solicitors for the above-named Company.

PUBLIC NOTICES

THE BRITISH POLIO FELLOWSHIP
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HA4 6LP

As required by the Regulations governing Permits the Fellowship announces the result of the Flag Days and House to House Collections held in July and September 1988 as follows:-

Metropolitan Police Area:
Income £[illegible]
Expenses £[illegible]
Net results £[illegible]

City of London Police area:
Income £[illegible]
Expenses £[illegible]
Net result £[illegible]

The British Polio Fellowship records its earnest gratitude to the general public for their generous support and its appreciation to all collectors who made these voluntary efforts possible.

ART GALLERIES

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No 006985 of 1988
CHANCERY DIVISION

IN THE MATTER of
CONTINENTAL LIFE INSURANCE COMPANY LIMITED and
IN THE MATTER of
CONTINENTAL PENSIONS LIMITED and
IN THE MATTER of
CONTINENTAL P H I LIMITED and
IN THE MATTER of
WINDSOR LIFE ASSURANCE COMPANY LIMITED and
IN THE MATTER of
THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 10th October 1988 presented to Her Majesty's High Court of Justice by the above-named Windsor Life Assurance Company Limited ("Windsor") for:

(1) an Order under section 49 of the above mentioned Act, sanctioning a Scheme involving the transfer to Windsor of the whole of the long term business (as defined in the above-mentioned Act) of the above-named Continental Life Insurance Company Limited, Continental Pensions Limited and Continental PHI Limited ("the Transferors")

(2) an Order, pursuant to Section 50 of the Act, making ancillary provision for implementing the said Scheme.

Copies of the Petition, the Scheme and of a Report on the terms of the Scheme by an independent Actuary (as required by Section 49 of the Insurance Companies Act 1982) will be open to inspection at the registered offices of each of the Transferors all situated at 84/70 High Street, Croydon, Surrey and at the registered office of Windsor situated at Windsor House, Telford Centre, Telford, Shropshire TF3 4NB and also at the offices of the Solicitors for Windsor, at 14 Dominion Street, London EC2M 2RJ during normal business hours for a period of 21 days from the publication of this Notice.

The Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 5th day of December 1988. Any person, including any employee of any of the Transferors or Windsor, who claims to be adversely affected by the carrying out of the Scheme may appear at the time of the hearing in person or by Counsel for that purpose. Any person who intends so to appear, and any policy holder of the Transferors or Windsor who dissents from the Scheme but does not intend so to appear, should give two clear days' prior notice in writing of such intention or dissent (and the reasons therefore) to the under-mentioned Solicitors.

Copies of the documents referred to above will be furnished to any person requiring them by such undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 28th day of October 1988

Simmons & Simmons
14 Dominion Street
LONDON EC2M 2RJ

Ref: SH 01751/6G

Solicitors for Windsor

PROPERTY RESEARCH

The Financial Times proposes to publish this survey on:

Friday 25th November 1988

For a full editorial synopsis and advertisement details, please contact:

JOANNA DAWSON on 01-236-9763

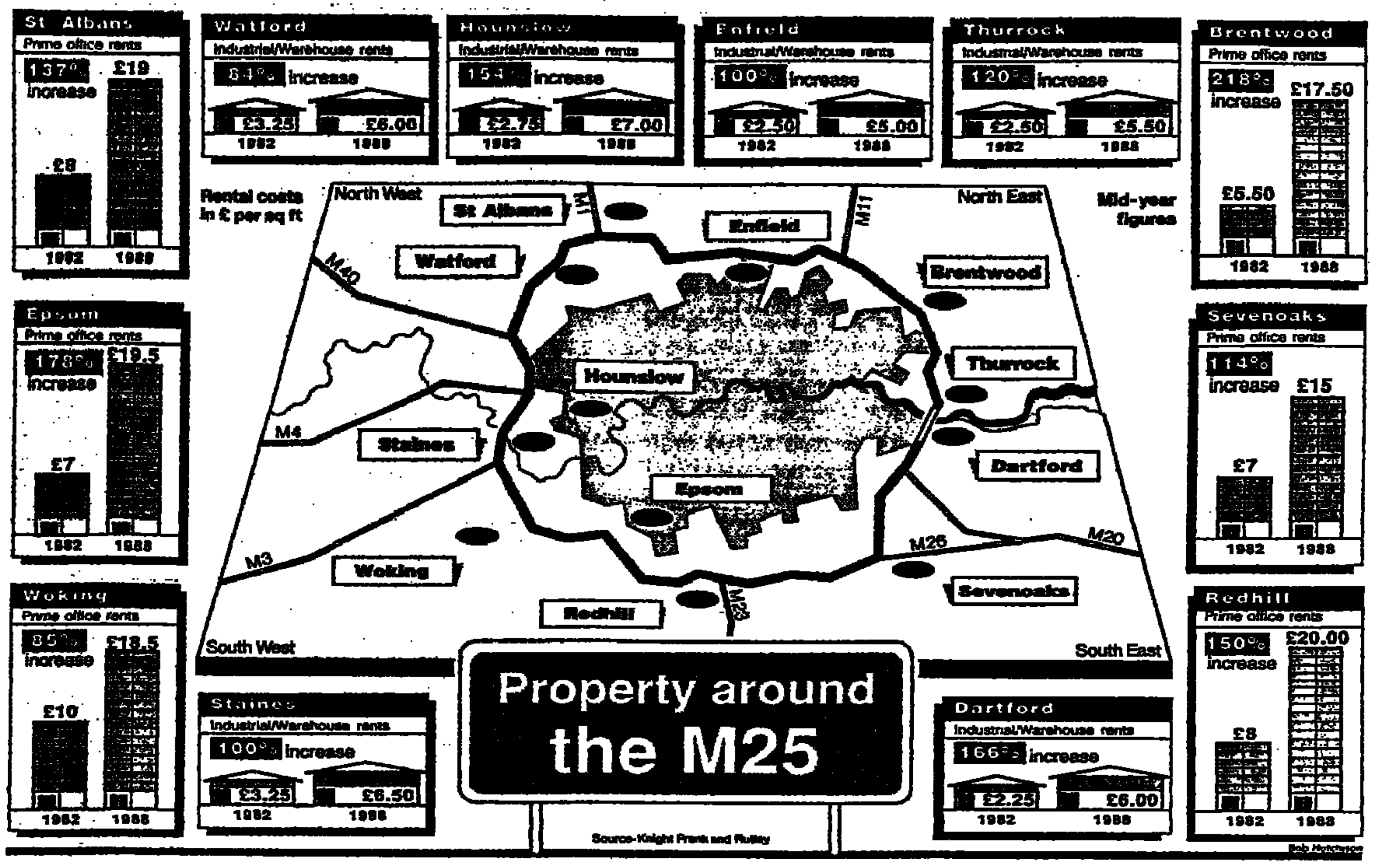
or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES
SURVEY

London's orbital motorway is rapidly turning into a 120-mile 'war zone' with developers and conservationists lining up against each other. As battles are being fought at planning inquiries, **Paul Cheeseright** looks at the state of play



M25 PROPERTY

Catalyst for controversy

ALL THE indicators point to further growth. The M25, designed to take the pressure off London, has created development pressures of its own. A motorway created to give relief has created its own congestion.

Completion of the M25 has been an important catalyst in fostering the rise in property values in the whole of the south east. It has added a new dimension to the growth of the regional economy, itself the central area of national economic growth.

The effect has been to create a shortage of property. New developments have been spurred inside the towns near the motorway. Housebuilders have sought permission to breach the Green Belt, because that is where land is available. Retail developers have done the same thing.

Inevitably one consequence has been tension between developers and the planners, the first responding to the needs of the commercial market, the second seeking to maintain a balance between environmental considerations and economic growth. But the current political climate is hostile to tampering with the Green Belt.

Inevitably, another consequence has been to make it more difficult to justify property developments where the rental income tends to be at the bottom of the scale - industrial sheds and warehousing.

The economic growth of the M25 area has made it less attractive to do precisely those things which the completion of the M25 theoretically should have made easier.

Yet, in this complex of general considerations, there are variations between one segment of the motorway and another. What happens in east Essex around Thurrock or in north Kent around Dartford is not the same as in Berkshire or Surrey.

The completion of the motorway has had the effect of pushing development into those areas which in economic terms needed it most.

Thus there has been a notable stimulus to growth in the north east and south east segments of the motorway, which three or four years ago would have been ignored by developers seeking a place in the lush pastures of the inner M4 and M3 corridors.

There has been a catching-up so that, for example, industrial rents on the south side of the motorway have tended to rise faster than those on the north side. And here, of course, there has been the extra stimulus of the improvement of the motorway network south east of London and the start of work on Eurotunnel.

Short of any major downturn in the economy, the whole region will continue to be subject to development pressures.

The demographic profiles suggest that population will continue to increase, creating the twin pressures of demand for more opportunities to work and drawing in more people to service the opportunities already created.

Despite pockets of high unemployment, the jobless rate in the region is the lowest in the country. The levels of disposable income are high. As standards of living increase so does the demand for more congenial places in which to work.

The planners, in short, have a difficult task in withstanding the development pressures. Policies of restraint have tended to hold back retail development - hence the demand for regional shopping centres adjacent to the motorway. The phenomenon of the business park, providing office facilities in semi-rural surroundings has taken hold.

Although town centre office rental rises have not been relatively so high as the national average, this has partly been because of the extraordinary performance of the central London market. But one effect of that is likely to be a growing desire among occupiers to move to the London periphery. Relocation studies suggest that when companies move out of central London they tend not to move very far. There is every reason to suppose that office rents will continue to rise in the towns around the M25.

In all of this there are the ingredients for a ready supply of finance for development and for the institutional purchase of completed properties. The first instinct of the property funding institutions is always to look in or near their home patch. Surveys have shown that there is a much greater readiness to invest in and around the London area than there is elsewhere.

The availability of funds is in itself a pressure for development and the effects of this have been seen in the narrowing of yields. But the big question now is to establish what effect the rise in interest rates will have on property development ambitions.

It will probably mean that the more speculative ventures will be frozen. And it is sure that the lending banks are taking an extra look at project appraisals based on an increasing rental income. This could take some pressure off the planners although it will not affect the underlying momentum of development

However, the immediate issue is not financial at all. It is the controversy over the Green Belt and the pressure that the Government has been under from its own supporters to protect it.

This controversy started with the issue of regional shopping centres. Latterly, it has widened to embrace residential and commercial development. It has surfaced in local planning inquiries and in the debate about local development plans.

Speeches of ministers suggest that the Government has hardened its rhetoric against development in the countryside and in the Green Belt specifically. But the detail of policy, enshrined in planning guidelines for local authorities, has not changed.

Change seen in the market

THE NEW use class B1 - which allows light industrial property to be used for offices and vice versa - has changed the face of the British industrial market.

The area around the M25 has been particularly affected, with traditional industry giving way to the business park, although there is still strong demand for ordinary sheds. Dartford,in Kent, gives a good example: Blue Circle Industries, a mainstay of local industry, is building the largest scheme in the town. The 150-acre Crossways Business Park, previously known as Crossways 25 and next to the ferry terminal, is now well under way and the first phase is ready for occupation.

The phase totals 200,000 sq ft in units of between 11,000 and 52,000 sq ft, all with a high office content, and asking rents through Donaldsons, have started at £5.30 per sq ft.

Industrial rents around Dartford area have increased dramatically in the past 18 months, according to Mr David Simpson of G A Property Services, owing to an increasing shortage of development land. Demand is keen for small freehold units in any condition and Knight Frank and Rutley, acting for the receivers of W W Brown, had been offering a 16,000 sq ft post-war factory unit on a 1.1 acre site in Sandpit Road. More than 100 parties, mostly owner occupiers, showed interest, and the agents were expecting the tender price to be more than £750,000.

In Sevenoaks, long in the development doldrums, the scene is now looking up, with the help of the Otford Group, who are best known for plastic manufacture and injection mouldings.

Among the projects with which Otford is involved is a further phase of of the Vestry Industrial Estate in Sevenoaks. PosTel is funding the 84,100 sq ft phase to the tune of £4.65m and the scheme will be both class B1 and B2, including eight units of between 6,000 sq ft and 26,000 sq ft.

The price paid represents a yield of 9.25 per cent to PosTel on the basis of rents of £5.50 per sq ft. Work has started on site. St Quintin acted for

Continued on Page 3

Shopping centre 'time-bombs' for Government

Tricky task faces Ridley

THE NEXT few months could prove traumatic for a government already reeling from grassroots revolt over its Green Belt planning policies.

Ticking away on the desk of Mr Nicholas Ridley, the Environment Secretary, are several small time-bombs, each referring to a major shopping centre proposed along the M25.

One wrong move could detonate an explosion equal in intensity to opposition for new housing estates around the fringes of the metropolis.

About a dozen centres, each with a retail capacity similar to a small town, have been proposed on or near the motorway, according to researchers at Hillier Parker. Many have been through public inquiries in the last 12 months, leaving Mr Ridley with the tricky task of choosing which - if any - will be allowed.

With hindsight, conflict was almost inevitable. The M25 was planned two decades ago to run through the Green Belt, to avoid cutting a swathe through existing communities. Then developers were busy building in town centres and there was no thought of moving outwards to the motorway. But fashions change - more people have cars and are willing to drive further for their shopping. They have been pushed out of many towns by parking controls and congestion, and pulled away from traditional haunts by new centres which offer indoor arcades, restaurants, and leisure facilities.

Developers with ever more grandiose plans for shopping/leisure schemes, to attract *these shoppers have had to* focus on the only big sites around London with easy access - the junctions of M25 - and most are in the Green Belt.

The government has made it plain that it will not tolerate challenges to the rules of constraint. Mr Ridley repeated at the Tory Party conference in Brighton recently that developers could face big bills for costs if they press for hopeless cases.

Many feel they have a valid case for building in the Green Belt, however. Planning guidance by the government leaves loopholes for development where this reclaims large areas of derelict land or provides environmental improvements such as open space.

The Prudential, for instance, points out that its 900,000 sq ft scheme at Hewitt's Farm, near Orpington, Kent, is mainly a leisure centre which would make maximum public use of the Green Belt.

ARC also uses this tack for its similar-sized proposals for Wraysbury, Berkshire, pleading that it will be revitalising derelict land as a theme park.

Even where Green Belt restrictions do not apply or are overcome, however, many of the M25 proposals could face a rough ride. *Until recently ministers* repeatedly said they would not allow local planners to block out-of-town schemes merely because they took business away from existing town centre retailers. It was not for them to interfere with free-market competition.

But the industry almost forgot that just as there are loopholes for developing in the green belt, so are there 'exceptional' cases where schemes can be rejected - such as when there is an excessive drain on existing facilities through the cumulative impact of several developments.

It was a rude awakening when Mr Ridley threw out plans for a big shopping centre at Cribbs Causeway, outside Bristol, on the grounds that it would leach the facilities of surrounding town centres.

This view could come into play again when decisions are made on massive schemes around London within spitting distance of each other. Near the M4/M25 interchange for instance, ARC has proposed the Runnymede centre at Wraysbury; County & District is planning a remarkable neo-Georgian extravaganza near Slough; and Tarmac wants to *expand a motorway services* site into a major centre in Iver.

There are suspicions that this tide of planning applications is led more by developers than their potential tenants. A Henley Centre report earlier this year found that most retailers would prefer to remain in town centres.

The problem is that they do not always have that option because shoppers will not tolerate the lack of parking and leisure facilities in congested older areas.

The case for allowing new centres seems strong, if only to relieve the pressure for expansion in the suburbs. Retailers told the Henley Centre that any fall-off in the spending boom would not affect expansion plans as they had already taken that into account.

But Mr Ridley is bound to raise the 'cumulative effect' objection as well as Green Belt restrictions in some cases.

CACI Market Analysis has calculated that existing shopping centres within the M25 would lose £2bn in trade if all the new schemes were approved - that is almost 17 per cent of their business. Some close to a new development would find more than 60 per *cent of spending power being* dragged away.

Most developers will admit that there is probably room for no more than a handful of centres around the whole of the M25.

The game for each one is to make sure theirs has the best chance of winning: spending £1m in pre-development work and possible planning inquiry costs is a worthwhile gamble when the rewards are potentially so large.

Existing centres, meanwhile, should prepare for the worst, according to CACI. Even if a few of the new developments get through there will be gross over-provision of shopping in some areas and a fundamental change in the pattern of shopping within London.

David Lawson

PROPOSED M25 SHOPPING CENTRES

Hewitt's Farm, near Orpington.
Developer: Prudential.
Size: 900,000 sq ft retail/theme park.
Status: Green belt
Public inquiry being held - fierce local opposition.

Hanover Centre, Staines.
Developer:MEPC/Hanover Property Unit Trust.
Size: 750,000 sq ft town centre industrial site.
Inquiry decision due.

Waterdale Park, Bricket Wood, St Albans.
Developer: Town & City.
Size: 750,000 sq ft.
Status: Green Belt site isolated by M1/M25.
Public inquiry decision due.

Junction M4/M25, Iver, Bucks.
Developer: Tarmac.
Size: 1m sq ft retailing/motorway services.
Status: Green belt.
Public inquiry decision expected.

Blue Water Park, Dartford.
Developer: Shearwater/Blue Circle.
Size: 1.5m sq ft retail/leisure.
Status: Green belt but supported by local planners.
Public inquiry due.

Runnymede Centre, Wraysbury, Berks.
Developer: ARC Properties.
Size: 1m sq ft gross retail/leisure.
Status: Green belt.
Public inquiry decision expected soon.

Cedar Park Plaza, Waltham Cross.
Developer: Trafalgar House.
Size: 750,000 sq ft.
Status: Green belt but may be isolated by M11 extension.

Elmbridge Mall, Hook, Surrey.
Developer: London and Edinburgh.
Size: 1m sq ft retail/leisure.
Status: Green Belt status upheld this year.

Richings Place, Colnbrook, near Slough.
Developer: County & District.
Size: 1m sq ft in neo-Georgian mansion house style.
Status: Green Belt.

Lakeside Centre, Thurrock.
Developer: Capital & Counties.
Size: 1.15m sq ft under way - the only centre approved so far.

Aldenham Park, Elstree.
Developer: Slough Estates.
Size: Just less than 500,000 sq ft.
Status: NOT green belt (former bus garage).

Source: Hillier Parker

OFFICE DEVELOPMENT

Pressure increases

THE BOOM in central London offices has tended to divert attention away from dramatic increases in demand and rents in suburban and M25 office centres over the last few years. But investors just discovering these towns may be too late, as attention is now being spread even further afield.

Most of the main centres in the south have felt the benefit of an expanding national economy, particularly in the service sector, as accountants, solicitors and other professionals expand into more office space.

The M25 towns have come under even more pressure, however, because of the improved access and a spin-off from central London's overcrowded market.

This has produced some dramatic increases in rent levels, particularly in towns where supply has run short, according to Mr Bill Ashton of Richard Ellis Research.

Since 1985 values have soared by between 9 and 40 per cent in 13 main centres monitored around the motorway. And most of the growth came in the last year, when rents rose by an average of 25 per cent.

Even discounting an exceptional rise in Chatham, which came up from a low base, the figures are remarkable when *inflation was running at only* around 4 per cent, Mr Ashton says.

Moderate growth in the earlier part of the decade set the stage for this boom, as it encouraged little development, leaving many centres unable to cope with a sudden surge in demand.

Only in Redhill, Woking and Uxbridge was a substantial amount of new space created, says Richard Ellis, leaving an average of only around 30,000 sq ft a year created in the other eight centres.

When demand rose, such space as there was disappeared quickly and rents boomed. Values may actually have been kept down in some centres because prime space was not there for deals to take place and set new levels.

In Uxbridge, Brentwood and Egham, for instance, values suggest that demand will continue to exceed supply in the short-term, and rents of £30 a sq ft may be close in one or two centres. Hammersmith is already rumoured to have seen more than this, says Mr Ashton.

The speed of change becomes obvious when you think that the "psychological barrier" of £20 was broken in Uxbridge less than a year ago and Mayfair values were below £30 a sq ft until mid-1986.

"Limited supply and increased demand have pushed prime levels in Uxbridge to around £24 a sq ft with the *recent letting of Lovell's Everglades* development to Grand Metropolitan," says Mr David Zair, of agents Pepper Angliss & Yarwood.

He points out that Sun Alliance is asking £26 for its Charter Place development, already mostly pre-let to Coca-Cola Schweppes, with Healey & Baker reporting lively interest in the remaining 68,000 sq ft.

Mr Zair expects the £30 barrier to have been breached within two years. Perhaps not coincidentally the 142,000 sq ft Uxbridge One development by Land Securities he is handling with Jones Lang Wootton is due for completion in 1990.

Developers are naturally responding to rising demand and the potential supply of offices is growing, so Richard Ellis sees a more balanced market in the longer term.

This supply will be affected, however, by changes in the Use Classes Order, which gave birth to the B1 business class building. These hybrids, often located outside or on the edge of town centres, appeal to some office occupiers, so they could be added to forecasts for pure office development. Rents tend to be lower - although the gap is narrowing - but Richard Ellis says certain occupiers will not desert the centres.

Mr John McGuffog of Mann Countrywide points out that the town centre building with ample parking is still the main choice for many tenants around the M25 because *employees* like to be near to shops and other services. This is why they are willing to pay more, pushing rents above £25 a sq ft in central Slough and Maidenhead.

But demand for space around the M25 could be ameliorated as costs rise. Extra congestion and rising house prices are also likely to increase pressure on companies to move even further away from London. Competition for staff is already forcing some companies to reconsider expansion plans in the south-east, says Debenham Tewson & Chinnocks.

Astute developers and agents are looking at places away from the M25 which may perform better in future than established centres, according to Mr Ken Grundy of developer Hunting Gate.

Relocating companies are being pushed further out by the lack of new space along the M25.

The motorway towns have come under close examination from central London tenants expecting occupation costs to rise.

The M25 corridor itself will not be immune, however, especially those towns where rents have grown rapidly since the 1973 base level was set.

Debenham Tewson points out that centres such as Windsor, Reading, Woking, Basingstoke and Slough will be hardest hit by rate rises of more than 50 per cent. The impact will be ameliorated by rental growth since the April 1988 date used for new valuations, argues Richard Ellis, but Mr Grundy still expects demand to focus on more distant centres such as Oxford, Peterborough and Cambridge, giving them the sort of spectacular growth experienced in Uxbridge and Croydon over the last year.

David Lawson

CHANNEL TUNNEL

Areas with potential

A FRESH twist in the long running saga of the Channel Tunnel fixed link is that Alastair Morton, the co-chairman of Eurotunnel has approached Blue Circle, publisher Robert Maxwell and Godfrey Bradman's Rosehaugh property group to become part of a consortium to build the planned high-speed rail link between London and the tunnel.

Mr Paul Channon, the Transport Secretary, who is thought to be backing the move, announced at the Conservative party conference that British Rail would shortly be asking for private sector proposals to build and perhaps operate the new link.

Rosehaugh has been approached to join the consortium because of its role in the redevelopment of King's Cross which is seen as a potential second London terminal for Channel Tunnel rail traffic.

The new consortium would be up against the construction companies, Trafalgar House and Costain, who are putting together independent proposals. Costain's plans are for a £2.5bn three pronged line linking the tunnel with London and the rest of the country.

What effect this would have on the economy and property markets of Kent, the main county to be affected by the fixed link remains to be seen. Some think Kent will not benefit very much from the tunnel anyway, they including Mr Andrew Davis of the Sevenoaks-based Offord Group who said: "The major pickings are already tied up in Ashford. The aerodrome scheme is the mainstay of that."

A report from the Impact Study Team to the Channel Tunnel Joint Consultative Committee largely backed up this opinion.

The consultation document said of the potential of sites in *East Kent: An assessment* made for this study indicates that, with the exception of some at Ashford, sites available for economic development in East Kent are not generally of the quality likely to attract new companies. However, the report also points out that Dartford and Gravesham will be well placed for development in the 1990s, combining access from the M25/A2 with access from the river.

"The study continues: Dartford has evident potential for distribution, already being seen in the Crossways 25 development incorporating ferry services."

High quality sites are being promoted for various activities including a business park. To this end, the report advocates that the choice and quality of sites should be advanced in North Kent if the potential for more enterprise and employment identified in this study is to be realised in the 1990s.

The study continues "Opportunities should be sought in Dartford district which have the advantages of access to the M25 and proximity to London, and are not prejudicial to the functions of the Green Belt.

"In Gravesham, similarly new sites should be promoted as well as the re-use of industrial land and chalk workings which will require clearance or reclamation."

However, it is without doubt that Ashford will form the commercial and industrial heart of East Kent.

Janice McKenzie

PLANNING

No simple answers

A HIGH-SPEED ring road running through Green Belt is a guaranteed formula for planning warfare.

The prospect of all those greenfield sites with motorway access for tenants, house-buyers and shoppers is too tempting for many developers, who will move heaven and earth to find a way around the strictest controls. But this near-irresistible force has been matched by equally immovable objections at almost every step around the M25.

It is not a simple case of protection versus exploitation, however. Political machinations have blurred some issues as ministers respond to grass-roots revolt. The whole question of Green Belt survival has also become inextricably mixed into the wider argument about whether M25 counties should take a share of London's spill-over.

Almost every field gets tagged with Green Belt status as county councils erect barriers to further incursion, particularly to the west.

Mr Nicholas Ridley, Environment Secretary, has confronted his own political allies in the shires and fought public battles with a predecessor, Mr Michael Heseltine, over the need for more development land.

Most rows have been over housing. Berkshire was told its reviewed structure plan review was short of about 7,000 homes. Surrey has been instructed to provide land for another 3,000. But commercial property limits have also been raised in some counties. The fact that the Green Belt remains almost immune has been lost in the political turmoil, and in spite of the extra provisions, counties such as Surrey remain relatively immune to development pressures.

Out-of-town shopping has been the other flashpoint, but again the Government has tended not to sacrifice official Green Belt when modifying local planners' limits.

Only "unofficial" Green Belt has been liberated. Whitehall and the shires are almost as one mind over proliferating plans for regional centres and it seems likely that the London Planning Advisory Committee's suggestions that only four should be built around the M25 may be closely followed by Mr Ridley.

Not all the M25 counties are setting their face against development, however, and some of the more restrictive ones are surprisingly willing to soften their stance under the right circumstances.

Kent has followed the Government's guidance, which is to spread economic activity eastwards along the M25. It has gone begging for development. But planners over-stepped the mark this year by proposing to relax Green Belt protection on land in Dartford and Gravesham they claimed was unworthy of saving.

Mr Ridley said the county had misinterpreted strategic advice on the M25, and threw out the proposed development schemes. It looked suspiciously like the county was suffering the backlash of political rows west of London, but was really just another affirmation that the Green Belt would not be sacrificed without exceptional reasons. Kent remains dedicated, however, to exploiting the M25 and Channel Tunnel to attract development, and this is writ large in its proposed review of the county structure plan.

To the north, Essex, is also hungry for more of the development crowding into the western sector but is not willing to sacrifice its Green Belt. Planners feel they do not have to when there are still large areas of unprotected vacant land north of the Dartford Tunnel.

Pressure from developers can hide the fact that most approve of this strict regime. It maintains the popularity and, therefore, the buoyancy of the south-east as a whole, points out Mr John McGuigg of agents Mann Countryside. He is more concerned about land outside the belt which should be released. Freeing large surplus Defence Ministry holdings in Hampshire and Surrey would lift pressure on Green Belt.

Planners face a dilemma of putting protection before schemes which could provide jobs, says Mr John Washington, consultant to developers Hunting Gate. But the same problem can arise in town centres blanketed by restrictions.

Canada Life needed to expand its long-established UK headquarters at Potters Bar or move away. After 18 months of talks with the company's advisers Rock Townsend and Drivers' Jonas, planners finally agreed to a new 80,000 sq ft office building. The county plan was amended to suit Canada Life, which has helped open the door for other investors, says Rock Townsend.

Nor does it always take redundancy threats for planners to accept some development in the Green Belt. Hertsmere planners were directly involved in setting up the redevelopment of Shenley Park Hospital, near Borehamwood, with 900 houses, workshops and community facilities. The council created a brief for the new village, helped by surveyors Weatherall Green & Smith and the Urban and Economic Development Group. It complies with both Government guidelines and Hertfordshire's plans.

When developers admit backing Green Belt restrictions and planners promote development, the battle for a balanced solution to the problems of the M25 is not completely lost.

David Lawson

Urban congestion is now encouraging many companies to move out of town

Business park rents set for take off

WITH THE advent of the new B1 class use, the lines between traditional light industrial and the new-style business parks have become blurred.

However, the rental differences are considerable, with top quality business park space fetching as much as office space.

Probably the best known business park development in the M25 area is Stockley Park, at Heathrow. Once a rubbish tip, the area has been transformed and the first letting on the park produced £15 per sq ft, which at the time was the going rate for offices in nearby Uxbridge.

Now two years on, the park has attracted Fujitsu, Tandem Computers, Toshiba and CitiCorp subsidiary Quotron.

Rents now stand at about £20 per sq ft and almost a third of the 1.6m sq ft plus first phase has been signed up.

The park is now owned by a consortium following Mountleigh's decision to sell its investment. Mountleigh bought Stockley from Stockley Plc and originally arranged the sale of the remainder of the first phase to Phoenix Properties for £100m. However, the deal fell through and the consortium arrangement followed.

The second phase has included design and build units for Hasbro Bradley and Apple Computer (UK) and also two speculative units of 118,000 sq ft and 80,000 sq ft.

Letting agents are Jones Lang Wootton, Grant and Partners and Morgan Grenfell Laurie. Mr Simon Sokell of Grant and Partners has illustrated the blur in the market with the coming of B1.

He said: "There is no doubt that with the coming of B1, developers have been placed in a dilemma.

"While willing to construct two storey flexible facilities with good quality, first floor offices, leaving the ground floor in shell form, with the advent of B1 we have been speaking to many companies who would have taken space in the town centre, but owing to shortage of parking and narrow floors, are now looking to go out of town along the M25 into business parks.

"Say, 18 months ago, rentals for top-quality business park space around the M25 were probably in the region of £10 to £12 per sq ft. Now rents are being quoted at around £15 to £16 per sq ft."

There can be no doubt that the Stockley Park (where rents are going towards £20 per sq ft) form of business park around the M25 will become full office buildings.

With rents for offices now more than £25 per sq ft and fast approaching £30 per sq ft, one wonders whether the previously industrially-designated site will attract the same level.

"It is entirely possible that rental leaps of £3, £4 and maybe £5 per sq ft will be achieved very soon"

There is a pent-up demand for quality business space in locations such as Maidenhead, Staines, Heathrow, Chertsey and Windsor, according to Mr Sokell.

He added: "It is entirely possible that rental leaps of £3, £4 and maybe £5 per sq ft will be achieved very soon in the business space sector."

What is abundantly clear is that companies that thought they were office users who needed to be in town centres, have now clearly had enough of urban congestion. They are finding that staff want a high-quality environment, the ability to park and are willing to forego the shopping and other benefits of the town centre for a more rural and environmentally pleasing position.

Standard Life have had a success story with their Croxley Centre at Watford and have a suite under offer in the latest phase, The Courtyards, even though it is not due for completion until January.

Current tenants include The Santa Cruz Operation, Ferranti, Boeing Computer Services, Hoffman La Roche and Tokyo Electronic Corporation. Formerly the Croxley Script paper mill site, the 90-acre development has room for various buildings and also one parking space per executive employee.

The units range from 1,500 sq ft to 7,700 sq ft and are two miles from the M25. Letting agents are Phoenix Beard and Grant & Partners.

Janice McKenzie

Market changes

Continued from Page 1

Otford and has been retained as letting agents together with Bernard Thorpe and Partners which represented PosTel.

The Vestry project was the first major prefunded project to be taken on by Otford. However, Otford's managing director, Mr Andrew Davis, feels that the south-east market may be becoming slightly over-heated.

He said: "There have been certain tenders where we have projected rents and tightened the yield but still come second by a long way.

"There is too much bank money flooding in, so we are resorting to the institutional market and taking a slightly lower profit margin.

"I would rather be a little cautious, having lived through the 1970s."

Enterprise zones have also had their part to play in the success of the M25 industrial markets. Gravesend, once reliant on the now collapsed cement and paper making industries, has pulled itself out of the mud by attracting service industries and has also benefited from two enterprise zone sites.

Springhead Industrial Park is now probably one of the most successful enterprise zones in the country.

Since its inception three years ago, nearly 50 units have been built and nearly 250,000 sq ft is occupied. The latest phase includes a 28,750 sq ft unit which was purpose built for optical company Rodenstock at around £4 per sq ft.

In addition, three units of about 5,000 sq ft each have been let to Dresser UK, Cimbrit and the Carpet Tile Co at approximately £3.35 per sq ft.

Only two blocks remain available, one of 27,40[illegible] sq ft and the other comprising seven units of 2,000 sq ft each.

The developer for the project is St Modwen Properties in association with the landowners, Gravesham Council. Healey & Baker and Cobbs Commercial are letting agents.

To the west, Uxbridge is finding a shortage of sites for industrial development. This has meant that the available units at the Sarum Complex, which Fair Bedford has been marketing together with Reed Commercial, were all sold or under offer before completion. The highest price achieved on the 60,000 sq ft complex is around £90 per sq ft freehold.

Towards the north east of the sector, in Essex, Harlow looked although it was going to be left behind in the success story of the M25. However, the major landowner in the area, the Commission for the New Towns, has found that its policy of selling industrial land has proved most profitable.

The commission has sold 30 acres of industrial land this year during which time land values have almost doubled to nearly £400,000 an acre.

Of these, 18 acres are being developed to provide 200,000 sq ft of cold storage and distribution facilities for Tesco and the remainder has been acquired by RDB Properties and Danton Properties. Work has started on the three-acre first phase which will provide 60,000 sq ft of industrial space. This will be offered freehold from £60 per sq ft or for letting at £5 per sq ft. Details for the site's remaining seven acres are still under discussion.

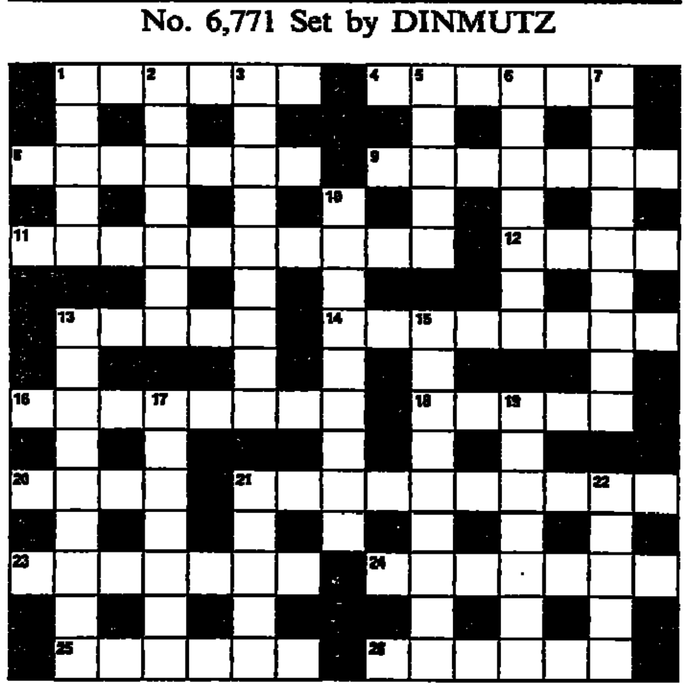
Janice McKenzie

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,771 Set by DINMUTZ



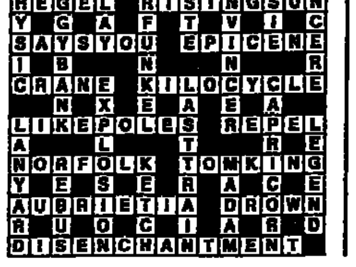
ACROSS

1 Complaint about double measure of spirit (6)
4 Struggle for doctor in his hospital wear (6)
8 Indirect effect of wrong move at Twickenham (5-2)
9 A kind of square in location that is calm (7)
11 Beginners of anti-Soviet movement (10)
12 Irishman gets post back (4)
13 Junketing soldier has mushrooms (5)
14 Is it marked for Bill in Redcar, perhaps? (4-4)
16 Battle suit of Holloway officer (8)
18 Old cold rhubarb (5)
20 Stretch of Thames that is dark blue? (4)
21 Elusive bar to sea-pilot (at sea) (6-4)
23 Deceptive talk of lad isolated inside (7)
24 Dialect around Dover, for example (7)
25 Unusual use of the oil-stone of early man (6)
26 Purpose of camping (6)

DOWN

1 Guy travel for tropical fruit? (5)
2 Copper caught up in nitro explosion – what a disturbance! (7)
3 Putting full stop to Dutch, say? (9)
5 Eyes up round legs, possibly (5)
6 Belly-ache after half the buns of the country (7)
7 Timon's four letter word? (9)
10 Mistral so violent, sailors hoist this (5-4)
13 Standard paving-piece? (9)
15 Like the philosopher he thought he was? (9)
17 The Camptown betting odds over lubricant for rifle (7)
19 England's openers work hard to captivate (7)
21 River for hire has duck removed (5)
22 Lively beer, right? (5)

Solution to Puzzle No.6,771



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Pension Funds

Abtrust Management Ltd

20, Cloak St. London, EC1Y 4TY 01-3766801

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	55.3	58.3	+0.1	-
Cash Market Mngd Fund	53.0	55.8	+0.1	-
Equity Fund	57.2	60.3	+0.1	-
International Fund	49.6	52.3	+0.1	-
European Fund	51.9	54.7	-0.3	-
North American Fund	45.9	48.4	-0.2	-
Pacific Fund	59.4	62.6	+0.4	-
Property Fund	66.5	70.1	+0.1	-
Fixed Interest Fund	53.5	56.4	-0.4	-
Index Linked Sec Fund	53.9	56.8	+0.3	-
Deposit Fund	54.6	57.5	-	-
NUAM Retirement Plans				
Mixed Fund	58.6	61.7	-	-
UK Ordinary Share Fd	66.0	69.5	-0.1	-
International Fund	50.7	53.4	+0.2	-
Property Fund	64.7	68.1	-	-
Fixed Interest Fund	57.2	60.2	+0.1	-
Index Linked Sec Fund	54.5	57.4	+0.1	-
Deposit Fund	58.7	61.8	+0.1	-
NUAM (MF)				
Managed Fund	754.2	793.9	+1.2	-
Equity Fund	1492.4	1571.0	-	-
Property Fund	414.9	436.8	-	-
Fixed Interest Fund	395.3	416.2	-3.1	-
Deposit Fund	223.5	235.3	+0.1	-
International Fund	129.2	136.0	+0.3	-
Index Linked Sec Fund	54.1	57.0	+0.3	-

Norwich Union Life Insurance Soc.
PO Box 149 Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	107.29	112.94	+0.04	-
Managed Fd	118.41	124.64	+0.06	-
UK Equity Fd	122.22	128.65	-0.17	-
International Fd	120.42	126.76	+0.41	-
European Fd	116.69	122.83	+0.88	-
North American Fd	117.66	123.85	-0.27	-
Pacific Fd	112.27	118.18	+0.15	-
Property Fd	117.73	123.92	-0.06	-
Fixed Int Fd	101.34	106.68	+0.18	-
I-U Gilt Fd	106.22	111.80	+0.21	-
Eurg Soc Dep Fd	102.49	107.88	+0.03	-
Pensionmaster* & Unit-Linked Plus*				

Providence Capital Life Asse. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pacific Initial		60.3	...	-
Technology Initial		81.3	-0.2	-
Nat Resources Initial		47.6	-1.2	-
Japan Growth Initial		186.6	+0.8	-
European Initial		72.9	+0.7	-
Residential Prop Init		117.2	...	-
Smrs Equities Initial		33.8	-0.4	-
Hong Kong Initial		43.4	-0.2	-
UK High Inc Eq Init		61.4	-0.3	-
Int Fixed Interest Init		49.3	-0.1	-
Int Managed Init		47.2	+0.1	-
Broker Fund				
Towerhill Mngd Fd Acc	47.0	49.5	...	-
High Performance	61.7	65.0	...	-
YRA Executive Fd	78.3	82.5	...	-
Investment Master		38.8	-0.1	-
H F Speculator Fd		112.1	...	-
£ High Inc Money Fd		103.2	...	-
£ Global Growth Fd		103.2	...	-
PEP Accum II		102.5	-0.1	-
AAFS Int Man Fund		100.5	...	-
Individual Pension Funds				
UK Equity Acc	209.5	221.0	-0.3	-
UK Fixed Interest Acc	162.3	171.3	-0.2	-
Intl Equities Acc	169.5	178.9	+0.8	-
UK Managed Acc	152.0	160.3	+0.2	-
Property Acc	186.9	197.2	-0.1	-
Money Acc	114.7	121.0	+0.1	-
Special Market Acc	137.3	144.9	-0.9	-
Japanese Acc	221.2	233.4	+1.1	-
North American Acc	110.7	116.8	-0.9	-
Pacific Acc	136.0	143.5	-0.1	-
Technology Acc	130.2	137.4	-0.6	-
Natural Resources Acc	91.6	96.7	-2.4	-
Japan Growth Acc	256.1	270.2	+1.3	-
European Acc	88.8	93.7	+1.3	-
Residential Prop Acc	124.2	131.1	...	-
Smrs Equities Acc	33.8	35.7	-0.5	-
Hong Kong Acc	42.8	45.2	-0.2	-
UK High Inc Eq Acc	65.5	69.1	-0.2	-
Int Fixed Interest Acc	50.0	52.8	...	-
Int Managed Acc	47.2	49.7	...	-
Broker Fund				
Towerhill Mngd Pen Acc	39.6	41.7	-0.1	-
Group Pension Funds				

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCE

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100	99	Treas. 9½pc '88	99	.....	—	—
102	99	Treas 11¾pc 1989	99	+	11.51	11.42
101	98	Treas 9½pc Cnv 1989	97	+	7.98	11.26
97	95	Treas 3pc 1989	97	.....	3.09	8.62
[illegible]	99	Treas 10½pc 1989	99	+	10.56	11.41
102	98	Exch 10pc 1989	99	+	10.10	11.32
103	99	Exch 11pc 1989	99	+	11.00	11.02
97	94	Treas 5pc 1986-89	96	—	5.21	9.40
104	95	Exch 10¼pc Cv '89	100	+	10.22	9.91
107	102	Treas 13pc 1990	102	+	12.84	10.37
104	100	Exch 11pc 1990	100	+	10.91	10.24
107	102	Exch 12½pc 1990	102	+	12.17	10.35
93	90	Treas 3pc 1990	92	+	3.26	8.72
99	95	Treas 8¼pc 1987-90	96	.....	8.53	10.46
102	95	Treas 8pc Cv 1990	99	+	8.02	8.14
103	98	Treas 10pc Cv 1990	99	+	10.03	10.14
91	87	Exch 2½pc 1990	88	[illegible]	2.81	8.41
107	101	Treas 11¾pc 1991	102	+	11.42	10.19
93	90	Funding 5¾pc '87-91	91	.....	6.25	9.54
90	86	Treas 3pc 1991	87	+	3.42	8.47
105	98	Treas 10pc Cv '91	101	+	9.89	9.50
107	100	Exch 11pc 1991	102	+	11.76	10.10
[illegible]	92	Treas 8pc 1991	94	+	8.47	10.10
113	105	Treas 12¾pc 1992	107	+	11.86	9.95
104	98	Treas 10pc 1992	100	+	9.99	9.95
[illegible]	92	Treas 8pc 1992	94	+	8.49	10.00
106	99	Treas 10¼pc Cv 1992	101	+	10.53	9.94
86	82	Treas 3pc 1992	85	+	3.58	8.24
112	104	Exch 12¼pc '92	107	+	11.45	9.98
117	108	Exch 13½pc 1992	111	+	12.15	9.98
97	91	Treas 8¼pc 1993	94	+	8.76	9.92
105	97	Treas 10pc 1993	100	—	9.93	9.80
115	107	Treas 12½pc 1993	109	+	11.40	9.87
93	87	Funding 6pc 1993	88	+	6.80	9.04

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures boost pound

TRADE FIGURES were at the centre of attention yesterday, with the UK, France and the Netherlands releasing data. The news was generally encouraging, with Britain reducing its trade deficit in September, France turning a deficit in August into a surplus in September, and the Netherlands increasing its surplus in August from July.

The UK and French figures came as something of a surprise, but the immediate euphoria in London was quickly tempered by the nature of the improvement and the benefit to the trade balance from erratic items.

Britain's visible trade deficit fell to £1.06bn in September, from £1.81bn in August, and the current account shortfall shrank to £560m from £1.31bn. The market expected the deficit to be no better than in August, and feared the visible trade gap could exceed £2bn.

Sterling immediately jumped about 3 pfennigs on the news, to a peak of DM3.1500, but then eased back when analysis showed that erratic items, such as aircraft and precious stones, as well as adjustments as a result of the post strike, played a major part in the improvement.

There was however a general reaction of relief to the figures, and the pound finished firmer on the day at DM3.1425, compared with DM3.1225 on Wednesday.

Sterling also rose 1.10 cents to $1.7710, and improved to Y222.75 from Y221.25, and to FFr10.7150 from FFr10.6650, but eased slightly to SFr2.6450 from SFr2.6475 against the strong Swiss franc.

According to the Bank of England, the pound's exchange rate index rose 0.3 to 76.3.

The French franc is confined within the strait jacket of the European Monetary System, and did not have sterling's opportunity to advance. The sharp improvement in the French trade position will help to take pressure off the franc however, and appears to make a realignment of the EMS less likely in the immediate future.

The French trade balance moved into surplus of FFr400m in September, from a deficit of FFr9bn in August. The market expected a deficit of FFr3bn to FFr4bn.

A widening of the Dutch trade surplus to Fl 800m in August, from Fl 100m in July, provided support for the guilder, leaving the Dutch currency vying with the D-Mark for top position in the EMS.

Another strong European currency was the Swiss franc, which benefitted from comments by Mr Markus Lusser, President of the Swiss National Bank. He said the Bundesbank's monetary moves this week "go in the direction of a light relaxation", and that this could help the Swiss currency.

The dollar was left on the sidelines as the spotlight focused on European currencies.

The dollar closed unchanged at DM1.7740. It rose to Y125.75 from Y125.70, but fell to SFr1.4935 from SFr1.5040; and to FFr6.0500 from FFr6.0600.

On Bank of England figures, the dollar's index rose to 95.0 from 94.9.

High interest rates continued to underpin the Australian dollar. It rose to 82.50 US cents in Sydney, the strongest level since June.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4154	+2.25	+0.86	±1.5344
Danish Krone	7.85212	7.98946	+1.75	+0.36	±1.5404
German D-Mark	2.05853	2.07091	+0.60	-0.79	±1.0981
French Franc	6.90403	7.06951	+2.40	+1.01	±1.3674
Dutch Guilder	2.31943	2.33490	+0.67	-0.72	±1.5012
Irish Punt	0.768411	0.774567	+0.80	-0.59	±1.6684
Italian Lira	1483.58	1543.39	+4.03	+3.20	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.27	Latest	Previous Close
£ Spot	1.7685-1.7695	1.7605-1.7615
1 month	0.50-0.49pm	0.51-0.50pm
3 months	1.45-1.42pm	1.53-1.50pm
12 months	4.75-4.65pm	4.75-4.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.27	Previous
8.30 am	75.9	76.2
9.00 am	75.8	76.1
10.00 am	75.8	76.1
11.00 am	75.9	76.1
Noon	76.5	76.1
1.00 pm	76.4	76.1
2.00 pm	76.4	76.1
3.00 pm	76.3	76.2
4.00 pm	76.3	76.0

POUND SPOT- FORWARD AGAINST THE POUND

Oct.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7535-1.7760	1.7705-1.7715	0.52-0.49cpm	3.42	1.49-1.44pm	3.31
Canada	2.1025-2.1315	2.1300-2.1310	0.30-0.20cpm	1.41	0.87-0.75pm	1.52
Netherlands	3.51½-3.54¼	3.53¼-3.54¼	2-1¾cpm	6.35	6-5¾pm	6.63
Belgium	65.55-65.95	65.85-65.95	30-19cpm	4.46	87-72pm	4.83
Denmark	12.06-12.11¼	12.06-12.07	4⅝-3⅞orepm	4.16	12¼-11¼pm	3.98
Ireland	1.1655-1.1770	1.1745-1.1755	0.45-0.39pm	4.29	1.39-1.27pm	4.53
W Germany	3.11½-3.15	3.14-3.14½	1⅞-1¾pfpm	6.68	5⅝-5⅜pm	7.00
Portugal	258.15-260.95	259.60-260.60	5-45cdis	-1.15	60-110dis	-1.31
Spain	206.80-208.60	207.80-208.10	18-2cpm	0.58	33-17pm	0.48
Italy	2324½-2344½	2337¼-2338¼	2-parlirepm	0.51	6-3pm	0.77
Norway	11.62¾-11.74	11.72¾-11.73¾	¼-1orедis	-0.64	1-2dis	-0.51
France	10.65-10.74½	10.71-10.72	3½-3¼cpm	3.71	10¼-9¾pm	3.71
Sweden	10.86-10.95½	10.94½-10.95½	1½-1orepm	1.37	5-4½pm	1.67
Japan	220½-223½	222½-223½	1½-1¼ypm	7.41	4¼-4⅛pm	7.52
Austria	21.92-22.19	22.02-22.06	11½-10¼gropm	6.06	34¼-32pm	6.01
Switzerland	2.64-2.65	2.64-2.65	2-1⅞cpm	8.51	5½-5¼cpm	8.13

Belgian rate is convertible francs. Financial franc 66.45-66.55. Six-month forward dollar 2.72-2.67cpm 12 months 4.70-4.60cpm

CURRENCY RATES

[illegible]

*All SDR rates are for Oct.26

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.50-37.60.

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) *Rates are for Oct. 26.

OTHER CURRENCIES

[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9⅜-9¼ per cent; five years 9⅜-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling advances

STERLING INTEREST rate and US Treasury bond futures rose on the Liffe market yesterday.

Short sterling moved up strongly on news of a lower than forecast UK trade deficit in September. This led to a rise of the pound on the foreign exchanges, and relieved fears of an early increase in bank base rates.

Short positions in the December contract were closed out at the day's peak of 88.16. But the price then eased back to close at 88.09, compared with 87.81 on Wednesday, as traders also looked at the other side of the coin and saw no prospect of any reduction in UK interest rates in the foreseeable future.

There was some suspicion that the rise in long gilt prices was not firmly based, since it seemed to be partly a reaction to a firming of US bonds.

Dealers said the strength of bonds may have been the result of falling equity prices on Wall Street, and a flight to quality. But in order to be sustained this will require higher yields, which are unlikely against the background of recent US economic data.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7710	1.7660	1.7564	1.7441	1.7245

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.7616	1.7690	1.7600	1.7516
Mar	1.7490	1.7570	1.7480	1.7388
Jun	1.7390	1.7500	1.7370	1.7270

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 37,603

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

MONEY MARKETS

London rates ease

INTEREST RATES eased on the London money market yesterday, on publication of the September UK trade figures. A lower than expected trade deficit removed the worry of higher UK bank base rates in the immediate future.

Three-month interbank, which had crept up to 12¼-12⅛ p.c. earlier this week, and was 12⅛-12⅛ p.c. immediately before release of the trade news, fell back to close at 12⅛-11⅞ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

This underpins the present rate structure, although the market is well aware that base rates will not be cut until the upward pressure on inflation has eased.

Mr Nigel Lawson, Chancellor of the Exchequer, reinforced this point in the House of Commons yesterday. He told Parliament that a firm exchange rate and adequately high interest rates were absolutely essential in getting on top of inflation.

The Bank of England forecast a shortage of day-to-day credit in the London money market of £100m pounds, but did not intervene during the day.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £229m, with a rise in the note circulation absorbing £80m. These factors were offset by Exchequer transactions adding £165m to liquidity, and bank balances above target of £35m.

In New York the Federal Reserve added $2bn of reserves to the banking system, via customer repurchase agreements, when Federal funds were trading at 8¼ p.c.

In Frankfurt call money eased to 4.70 p.c. from 4.75 p.c. in comfortable credit conditions. Banks are well supplied with liquidity, despite a net drain of DM1bn by the Bundesbank at this week's securities repurchase agreement tender.

On Tuesday commercial bank reserve holdings at the Bundesbank rose to DM51.8bn, from DM50.0bn on Monday. The average for the first 25 days of the month was DM54.3bn, against an average requirement for the whole month of DM53.9bn In Paris call money was unchanged at 7⅞ p.c. The Bank of France left its money market intervention rate unchanged on Tuesday, and yesterday's announcement of a sharp improvement in the French trade position last month, appears to reduce any immediate need for higher interest rates to defend the franc.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.27) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 8⅞	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	7.18	Three year	8.36
Broker loan rate	9¾	Two month	7.09	Four year	8.39
Fed.funds	8¼-⅜	Three month	7.61	Five year	8.43
Fed.funds at intervention	8¼	Six month	7.88	Seven year	8.61
		One year	8.07	10-year	8.73
		Two year	8.28	30-year	8.85

Oct. 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.65-4.75	4.70-4.85	4.75-4.90	4.85-5.00	4.90-5.10	5.00
Paris	7¼-7⅞	7⅞-8	8-8¼	8⅛-8⅜	8⅜-8⅝	7.25
Zurich	1⅝-1⅞	3⅛-3¼	-	3⅛-3⅜	-	-
Amsterdam	5.06-5.18	5.15-5.25	-	5.25-5.35	-	-
Tokyo	3.90625	4.15625	-	4.28125	-	-
Milan	10⅞-10⅞	11¼-11⅝	-	11½-12	-	-
Brussels	7.00	7⅛-7⅞	-	7¼-7⅞	-	-
Dublin	7½-7¾	7⅝-7⅞	7½-7¾	7½-7¾	7⅝-7⅞	-

LONDON MONEY RATES

Oct.27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12¼	12	12	12⅛	12⅛	11⅞
Interbank Bid	10½	11½	11⅞	11⅞	11⅞	11⅞
Sterling CDs	-	-	11⅞	12	11⅞	11½
Local Authority Deps.	10⅞	11	11⅞	12⅛	12⅛	11¾
Local Authority Bonds	-	-	12⅛	12¼	12¼	12⅛
Discount Mkt Deps.	12	11½	11⅝	11⅞	-	-
Company Deposits	-	-	12	12⅛	12⅛	11⅞
Finance House Deposits	-	-	12	12¼	12	11⅞
Treasury Bills (Buy)	-	-	11⅞	11⅞	-	-
Bank Bills (Buy)	-	-	11⅞	11⅞	11⅞	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	12	-
Dollar CDs	-	-	8.30-8.25	8.60-8.55	8.60-8.55	8.75-8.70
SDR Linked Dep Offer	-	-	7⅜	7¼	7⅜	7½
SDR Linked Dep Bid	-	-	6⅞	7⅛	7¼	7¼
ECU Linked Dep Offer	-	-	7½	7⅞	7⅞	7⅞
ECU Linked Dep Bid	-	-	7⅜	7⅝	7½	7⅞

Treasury Bills (sell); one-month 11⅞ per cent; three months 11⅞ per cent; Bank Bills (sell): one-month 11⅞ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.5736 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Sept.30, 1988. Agreed rates for period October 26, 1988 to November 25, 1988, Scheme I: 13.12 p.c., Schemes II & III: 13.41 p.c. Reference rate for period Sept.1, 1988 to Sept.30, 1988, Scheme IV&V: 12.234 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from October 1, 1988: Bank Deposit Rates for sums at seven days notice 5.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

FT LAW REPORTS

Jersey is not an internationa[l] carriage of goods country

CHLORIDE INDUSTRIAL BATTERIES LTD v THE STATE OF JERSEY TELECOMMUNICATIONS BOARD

Queen's Bench Division: Mr Justice Sheen: October 13, 1988

A CONTRACT for the carriage of goods by road from Manchester to Jersey is not a contract made in "a different country" for the purposes of the CMR Convention, as Jersey is not a different country from the UK.

Mr Justice Sheen so held on a preliminary issue in an action by Chloride Industrial Batteries Ltd and the State of Jersey Telecommunications Board against F & W Freight Ltd.

The question was whether the CMR Convention as enacted into English law by the Carriage of Goods by Road Act 1965, applied to carriage from Manchester in England to Jersey.

HIS LORDSHIP said that the claim arose out of a contract made in November 1985 whereby F&W Freight agreed to carry a consignment of batteries by road from Chloride Industrial in Manchester to the Telecommunications Board in Jersey.

Section 1 of the Carriage of Goods by Road Act 1965 gave force of law in the UK to the CMR Convention. The Convention was signed on May 19, 1956 by nine European states which recognised the desirability of standardising the conditions governing the contract for international carriage of goods by road.

Article 1 of the Convention provided that it should apply to every contract for carriage of goods by road when the place of taking up the goods and the place for delivery were situated in "two different countries, of which at least one is a contracting country".

It followed that the Convention applied to the contract of carriage on which the present action was founded only if Chloride's premises in Manchester and the Telecommunication Board's premises in Jersey were in different "countries" within article 1.

F & W Freight put in affidavit evidence that the Channel Islands were part of the Duchy of Normandy before the Norman conquest, but remained in allegiance to the King of England when Normandy was lost in 1204. When later the ducal title was surrendered the King of England continued to rule the Islands as though he were Duke of Normandy. Even today the Islands' link was through the sovereign as latter-day successor to the Dukes of Normandy.

On the evidence the constitutional relationship between the UK and Jersey was that the Crown, acting through the Privy Council, had ultimate responsibility for good government of the Island. Jersey was not a sovereign state and the UK was responsible for its international and external relations. Its privileges and liberties related to fiscal and domestic matters and no more.

Mr Meeson for the plaintiffs submitted that Jersey was not part of the UK. He relied on the fact that in the past parliament had treated Jersey as a country. Section 1(4) of the Evidence (Foreign, Dominion and Colonial documents) Act 1933 provided that for the purposes of that section "country" meant "any of the Channel Islands".

Mr Leggatt for the defendant submitted that the 1933 Act was of no assistance to the court when interpreting the Convention. In *Stag Line [1932] AC 328* Lord Macmillan said that rules which would come under the consideration of foreign courts "should not be rigidly controlled by domestic precedents . . . but . . . should be construed on broad principles of general acceptation."

The court's task was to interpret "country" in its context in article 1 of the Convention. The word occurred twice in the first paragraph and must be given the same meaning on both occasions.

On the second occasion it was used in the phrase "a contracting country".

Mr Leggatt submitted that its use in that context showed it could only mean a "state", as that term was used internationally, which had power to enter into a Convention. Its most important characteristic was its capacity to make treaties or enter into negotiations with another country or state.

He said Jersey was not competent to enter into an international contract or Convention on its own behalf. That was apparent from section 9 of the 1965 Act which provided that it might be extended by Order in Council to any of the Channel Islands.

Mr Meeson argued that as a matter of logic Jersey must be a different country from the UK for the purposes of the Convention, because the Convention applied in the UK and did not apply in Jersey. If a contract was from the UK to Turkey the Convention would apply, but if it was from Jersey to Turkey it would not apply, because the Convention did not apply to Jersey.

If one asked "How would the Convention become applicable to Jersey?", the answer was, "by Order in Council directing that the 1965 Act should extend to Jersey". That demonst[rates] that Jersey was part of a [con]tracting country.

For the purposes of the Con[vention] Jersey was not a d[ifferent] country from the UK, [and] the contract of carriage [was] not in respect of internat[ional] carriage.

For the plaintiffs: Nigel [Meeson] (Hill Dickinson & Co, L[iver]pool)

For F & W Freight: G[...] Leggatt (Clyde & Co)

Rachel Da[...]

Barr[...]

CORRECTION: In *Bradma[n v] Trinity Estates*, Finan[cial] Times October 26, junior co[un]sel for Mr Bradman was A[...] Lewis, not Andrew Lewi[s as] stated.

daily notices

LONDON STOCK EXCHANGE

Equities see-saw after trade figures

The tension that has gripped the London equity market for the past few days evaporated within seconds yesterday with the announcement of better than expected September trade figures, only to return later in the day as Wall Street fell sharply in early trading.

Reports from the US suggested that First Boston, the securities house, had "pulled" a major junk-bond issue and that Drexel Burnham Lambert had carried out a substantial "sell" programme. Wall Street promptly plunged more than 30 points.

Turnover in London equities kept pace with events and came out at 593.5m shares, comfortably above the Racal Telecoms debut-boosted 481.3m of Wednesday and well ahead of Tuesday's 375.3m. The FT-SE 100-share index see-sawed throughout the day, swinging in a 20 point arc before eventually closing a net 1.4 up at 1852.1.

The equity market opened on a neutral note, but moved progressively lower prior to the release of the trade figures when the FT-SE was displaying a 5.5 fall.

The September trade deficit had been widely expected to come out around the £1.2bn to £1.4bn, but there were some doom-laden forecasts that it could have been as bad as £2bn. In the event, the £560m deficit came as a major, but pleasant, surprise to the market which immediately spurted higher, mainly as a result of marketmakers pushing up prices higher after being caught short of stock.

Earlier fears that a markedly worse outcome than in August could trigger a further rise in interest rates diminished with sterling registering gains against leading currencies – it jumped some 2 cents against the dollar and 3 pfennigs against the D-mark at one point.

The effect of the figures on the market continued for a couple of hours and lifted the FT-SE index by 14 points at best before the Wall Street retreat led to a serious re-think in London by the market.

Commenting on the trade figures, Mr John Reynolds, economist at Prudential-Bache, said: "Although the numbers are at first sight very encouraging, they are in large part due to erratic items. The prospect of 12 per cent as a peak for base rates has certainly increased, but the chances of early reductions are quite slim, until inflation is squeezed out of the system".

ICI's third quarter profits were exactly in line with market expectations "bang in line" and produced keen two-way interest leading to turnover of some 4.5m. The accolade of the biggest turnover stock – 37m shares – went to Lonrho where Australian Alan Bond revealed he had taken his stake up to 20 per cent. Action in Racal Telecoms was reduced but still healthy with 15m shares traded.

Much to show. ICI reported third-quarter figures bang in line with expectations at £347m, making £1,130m for nine months. Despite several analysts rating the stock as cheap on fundamentals it ended the day 4 lower at 1054p, after 1063p. Turnover expanded to 4.5m shares.

BOC rose 6 to 428p on the back of the ICI figures, while some second-line companies also benefited. Other leading issues ended around their opening levels.

Among insurers the Lifes were easier ahead of today's re-listing of Abbey Life. Composites never really recovered from selling before the trade figures. Commercial Union closed 5 lower at 334p and Royal Insurance 1½ easier at 383p.

Brewery stocks were distinctly mixed. Grand Metropolitan, which recently bid for the US food group Pillsbury, ran ahead to 455p in turnover of 7.7m amid rumours that an agreement may have been reached between the two sides. The rumour began when Pillsbury shares were reported to have fallen in the US, but analysts and dealers were unable to substantiate the story. Grand Metropolitan was remaining tight-lipped.

The two contestants in the struggle to gain control of Ruberoid extended their offers yesterday, awaiting a decision on whether or not the Tarmac bid would be referred to the Monopolies & Mergers Commission. Ruberoid shares made only slight headway to 266p, while those of Tarmac rose 6½ to 246p. Raine, the original bidder, improved to 91p.

Redland's mid-term results, although 32 per cent higher than last year, proved marginally disappointing to some of the more optimistic forecasters. However, a confident statement on prospects for the remainder of the year boosted sentiment and the shares moved ahead to close 3½ up at 444p.

Leading electrical issues were dominated by GEC, down 3 to 169½p in heavy turnover of 18m shares after press comment on prospects for coal-fired power stations. Racal fell 4 to 294p, while BTG shares launched on Wednesday ended a penny off at 175½p in turnover of 15m.

STC ran into small profit-taking and fell 4 to 287p, while Plessey ran 4½ ahead to 171½p in turnover of 8.2m shares.

Engineering issues featured Hawker Siddeley, 6 better at 559p in turnover of 1.4m with dealers reporting some short positions in the market. 600 Group was boosted by an aggressive buyer and rose 8 to 121p.

Heavy business was reported in FKI Babcock, slightly better at 133¾p. Of the day's 18m turnover, Smith New Court placed a line of 5m shares late in the day and said the stock had been easily absorbed by institutional buyers.

Bejam rose 33 to 204½p on good turnover after news of the £253m bid from Iceland Frozen Foods, which fell 10 to 333p. Dealers said the hostile bid might inspire a battle and speculated that Iceland will have to increase its offer. Sainsbury improved 4½ to 211p.

Positive assessments on Wolseley after the annual figures encouraged fresh support of the shares, up 6 further at 265p. Mr Robert Donald of County NatWest WoodMac believes Wolseley "is stuffed full of potential and when the expected economic bad news (US and UK) hits the fan then one should buy heavily. A super stock for the next decade." A similar view is taken by analysts at Citicorp Scrimgeour Vickers: "If investors are prepared to look through (the slow-down) then the shares are fundamentally good long-term value," they say.

Cannon St Investments remained in vogue, rising 13 further to 290p, still on the proposal to float Betacom, while Pilkington rebounded 5½ to 227½p as bid speculation revived. Avdel rose 4 to 81p, after 84p, following the cash offer from stakeholder Banner Industries. Other good features included British Syphon, up 18 at 154p, and Brown & Tawse, 10 better at 203p.

Suter made a forward move to 237p while Thomson T-Line, which yesterday confirmed reports that it was holding talks with Suter, recovered 2 to 74p.

Lesiure issues featured good performances from Ladbroke, 6 better at 457p and Brent Walker which gained 9 to close at 372p.

Property stocks were strong as the trade figures took the pressure off interest rates. Leaders Land Securities closed 6 better at 581p after 585p, and MEPC ended 5 higher at 567p after 571p. London & Edinburgh Trust were unchanged on 136p on news that the company had bought in 750,000 of its own shares at 135p.

National Home Loans responded to splendid annual figures, profits were more than double the previous year, and ended 8 dearer at 123p.

The oil and gas market endured another session of relatively low levels of turnover with the notable exception of British Gas; the latter moved narrowly between 166p and 154½p before closing a shade firmer at 165p

Three stocks made their debut in the market. The most successful was Jeyes Group – formally a Cadbury subsidiary until a management buy-out three years ago – which opened at 158p bid and ended at 165p, a 25p premium on the placement price of 140p. There was said to be big instutional buying

The other two debutants were Essex-based motor distributor SMAC, which were placed at 93p, opened at 98p and ended at 96p, and fire insulation and protection group Chieftain which enjoyed a "firm, but unexciting" day after opening at 99p and closing at 102p, a 10p premium on the placement price.

Traded options dealings reached the high level of 45,867 contracts on the back of unusually big business in the FT-SE 100 contract and continuing market chat about bid and reorganisation moves. Calls came to 30,000 exactly on a preliminary measure, and puts to 15,867. Index dealings totalled 10,942, consisting of 4,157 calls and 6,785 puts.Open interest in the index calls rose on an early count by 406 contracts to 30,373, and that in the puts by 773 to 39,390, as movements between positions saw a loss of open interest in the October 1850 calls and a gain in the corresponding puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

Account Dealing Dates

*First Dealings: Oct 17	Oct 31	Nov 14
Option Declarations: Oct 27	Nov 10	Nov 24
Last Dealings: Oct 28	Nov 11	Nov 25
Account Day: Nov 7	Nov 21	Dec 5

*New time dealings may take place from 8.00 am two business days earlier

Bond lifts Lonrho stake

Bond Corporation is now the owner of 20 per cent of Lonrho, the diversified UK trading conglomerate. The Australian group headed by Mr Alan Bond raided the market yesterday and, after the Seaq screens had revealed a series of major purchases, was later required to disclose the increased stake. Most traders thought incorrectly that Mr Bond was prevented from buying more shares until today.

A statement said 24m Lonrho shares had been purchased, but the market was not entirely convinced that Bond was the only large buyer. One marketmaker, speculating on reports that Mr Asher Edelman, the US arbitrageur, was assembling another stakesaid: "I believe he has re-invested the profits from the previous deal and it would not surprise me if he was sitting on a holding of 3 per cent. Analysts remained unclear on Mr Bond's intentions towards Lonrho, which was unavailable for comment yesterday.

At the peak of the business yesterday shares of Lonrho touched 382p, but they softened following the statement on the Bond holding to close 3 down on balance at 375½p. Volume amounted to 37m shares.

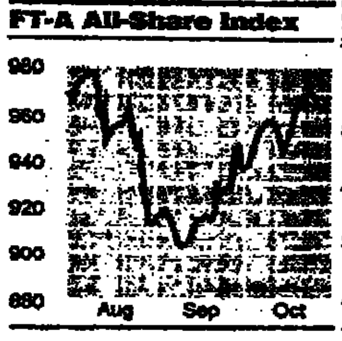
NEI active

Northern Engineering Industries (NEI) shrugged off worries about the impact of the Government's electricity privatisation on its gas turbine business. The shares fell only 2 to 103½p in heavy turnover amid rumours that a major line of stock had been accumulated by a single broker.

After early selling via the inter-dealer broker screens, a buyer appeared for the shares at the 102½p level and demand was described by dealers as very solid. NEI recently completed a joint venture agreement with Mitsubishi of Japan and there was speculation yesterday that Mitsubishi might be taking a goodwill stake. Since the announcement of the joint venture, turnover in NEI shares has increased sharply. Dealers said stories of predators taking an interest in NEI were less likely.

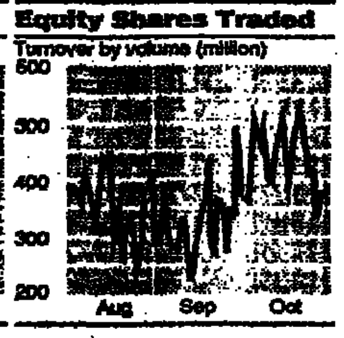
One broker was said to have bought nearly 10m shares, representing just under 5 per cent of NEI's equity, although a spokesman for the broker concerned said it was more likely that 10m shares had simply been traded and added that it had not noticed a single buyer taking NEI stock. A spokesman for NEI said the company was unaware of any unusual activity.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Lowndes disputed

The dispute between City analysts over earnings and disposals prospects at diversified stores group Lowndes Queensway intensified yesterday with the news that County NatWest WoodMac had reduced its 1989/90 profits forecast for Lowndes from £25m to £15m. This compares with the £26.5m forecast from Hoare Govett, which had a major presentation with the company on Wednesday. Lowndes closed 1¼ down at 77¼p.

The gap between the estimates is due to a fundamental difference of opinion over how much Lowndes will receive from the sale of toy store Hamleys and discount retail chain Poundstretcher. County believes Lowndes will be lucky to get £75m for the two, whereas Hoare is going for £30m from Hamleys and £60m from Poundstretcher.

Mr John Richards at County thinks Hamleys is worth "very little" on pure numbers, and believes that no-one is likely to out-bid the £50m buy-out said to have been arranged by the current Poundstretcher management. He also believes Lowndes' trading prospects will be hit by the slowdown in consumer spending, particularly on furniture and carpets.

Mr Andrew Hughes at Hoare Govett disagrees and is sticking to his forecast of £90m from the two disposals. As for the effect of falling consumer spending on the group's trading position, he is dismissive of County's thinking. "The rationale behind the original Lowndes bid for Harris Queensway was that price and customer purchasing power was less important than improving marketing, product and delivery."

A continuing reappraisal of UK tobacco groups following the huge deals, proposed and actual, involving the two US majors aroused strong support for both BAT Industries and Rothmans International. Marketmakers used the term "quality investment" to describe the buying of BAT, up 6 at 478p, but were less certain over the use of the adjective for Rothmans.

One trader said, "I've heard the stories so many times that either one of the two main shareholders, Rembrandt and Phillip Morris, will bid for the group. The Phillip Morris offer for Kraft is fuelling speculation that it could sell its stake to Rembrandt, which has the right of first refusal, but until it happens I remain sceptical."

An above-average trade was again recorded in Rothmans yesterday, partly reflecting intra-market activity which suggested that marketmakers were still endeavouring to rectify book positions after being out the previous day. At the close, Rothmans shares were 16 higher at 475p, after a peak for the year of 480p.

International stocks rode the better-than-expected UK trade figures with ease, falling slightly on pre-announcement selling, but recovering strongly thereafter. Wall Street's patent nervousness proved harder to overcome, however, and few of the leaders ended the day with

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (69).
BRITISH FUNDS (8) Treas. 8½pc 1994, Treas. 5½pc '08-'12, Treas. 7¾pc '12-'15, Exch. 12pc '13-'17, Treas. 2pc IL '90, Treas. 2pc IL '92, BANKS (3) C'Tgn. Hbt., Deutsche Bk., TSB Channel Islands, BREWERS (1) Macallan-Glenlivet, BUILDINGS (2) Eve Grp., Watts Blake, CHEMICALS (3) Akzo, BASF, Chemoxy Int'l., Hoechst, Schering, STORES (1) DAKS Simpson 'A', ELECTRICALS (4) Microtec Grp., Scholes, Tele. Rentals, Thermal Scientific, ENGINEERING (6) Alles Conv. Equ., Hall Eng., Hampson 8.5pc Net Pf. '91-'93, Hawker Siddeley, 600 Grp., Thyssen, FOODS (4) Assoc. Br. Food, Bejam, Everest Foods, Normans Grp., HOTELS (1) Jurys Hotel, INDUSTRIALS (12) ASD, Avdel, Bodycote Int'l., Brit. Syphon, Brown & Tawse, C'bell & Armstrong, Elders IXL., Johnson Cleaners, Kershaw (A.), Macfarlane, Marling Inds., Shanks & McEwan, INSURANCE (1) Allianz, LEISURE (1) Avenue, NEWSPAPERS (2) Assoc. News, Bristol Eve. Post, PAPERS (2) Bemrose, More O'Ferr., PROPERTY (2) Prop. Sec. Inv., Trafford Park, TRUSTS (8) American Trust 'B', Cont. Assets Wrrnts., Eng. & Int. Wrrnts., German Small Inv., Glasgow Inc. Tst., Murray Venture Wrrnts., Paribas French Inv., TR City of Lon. Dfd., OILS (1) Palo Oil, PLANTATIONS (1) Anglo-East Plants., MINES (2) Emperor Mines, Pan Austn. Mining.

NEW LOWS (37).
AMERICANS (1) Texas Instr., CANADIANS (8) Echo Bay Mines, Geodome Res., Sonora Gold, BANKS (2) MCorp. (M.), Rothwells, BUILDINGS (1) Spain Grp., ELECTRICALS (2) NEC Corp., TDK Corp., FOODS (1) Barker & Dobson, INDUSTRIALS (5) Bario Grp., Copymore, Harding Grp., Lawtex, Pentland, TRUSTS (3) Liberty All-Star, Berkeley Govett & Co., Siam Fund, OILS (5) Caspen Oil, Sandpiper Oil, MINES (8) Cons. Mod'tain., Duke Grp., Independent Res. Ltd., Anglo-Dominion, Ennex Int'l., Kenmare Res., THIRD MARKET (1) Sonic Tape.

FINANCIAL TIMES STOCK INDICES

	Oct. 27	Oct. 26	Oct. 25	Oct. 24	Oct. 21	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.27	88.74	88.76	88.78	89.05	90.14	91.43 (18/4)	86.28 (2/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.82	97.46	97.48	97.70	97.75	93.68	98.67 (23/9)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1502.6	1503.2	1500.9	1489.4	1508.3	1303.4	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	187.0	186.5	186.5	187.1	170.2	309.9	312.5 (7/1)	152.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Oct. 27	Oct. 26	Oct. 25	Oct. 24	Oct. 21	Year Ago
Ord. Div. Yield	4.61	4.64	4.64	4.67	4.60	4.76
Earning Yld %(full)	11.60	11.66	11.66	11.76	11.56	11.63
P/E Ratio(Net)(*)	10.45	10.37	10.37	10.30	10.47	10.34
SEAQ Bargains(5pm)	26,208	23,664	23,466	23,939	26,291	37,891
Equity Turnover(£m)	-	966.04	933.44	995.28	1120.60	1230.91
Equity Bargains†	-	23,942	23,625	25,037	28,399	47,971
Shares Traded (mil)†	-	378.3	328.3	415.4	414.9	548.3

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1502.0	1498.6	1498.1	1507.7	1511.5	1511.8	1508.0	1503.7

DAY'S HIGH 1521.8 DAY'S LOW 1498.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. nil 10.35 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Oct. 26	Oct. 25
Gilt Edged Bargains	99.0	116.6
Equity Bargains	155.1	153.6
Equity Value	2013.2	1686.7
5-Day average		
Gilt Edged Bargains	108.1	113.5
Equity Bargains	163.3	158.7
Equity Value	2165.1	2355.9

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	216	456	+1
Boots	2,900	223	-1
British Airways	792	166	
Brit. Aerospace	1,500	486	-2
Brit & Comm.	3,300	344	-3
British Gas	11,000	165	+½
British Land	896	348½	+2½
BP	2,300	244	
British Telecom	5,600	245½	
Burmah Oil	720	541	+4
Burton	1,300	257	+2
Cable & Wireless	4,900	394	-1
Cadbury Schweppes	5,600	311	-2
Coats Viyella	2,500	13½	+3
[illegible]	[illegible]	[illegible]	[illegible]
P & O	1,100	582	+6
Pilkington	4,100	227½	+5½
Plessey	8,200	171½	+4½
Prudential	1,000	153½	+½
Racal	6,000	294	-4
Rank Org.	774	731	+2
RMC	658	582	+4
[illegible]	634	388	-4
Reckitt & Colman	300	935	+1
Redland	1,700	444	+3½
Reed International	1,400	413	-2
Reuters 'B'	684	500	-4
RTZ	489	434	-4
Rolls Royce	2,200	134¼	+½
[illegible]	[illegible]	[illegible]	[illegible]
Tate & Lyle	192	853	+3
Tesco	3,570	138	-1
THORN EMI	1,400	659	-7
Trafalgar House	834	319½	+1½
Trusthouse Forte	4,900	264	-2
Ultramar	388	235	-1
Unilever	3,200	489	+1½
United Biscuits	3,000	310	+½
Utd. Newspapers	539	420	+2
Wellcome	785	487	-2
Whitbread 'A'	1,400	293	+1
Williams Hldgs.	1,600	263	
Wimpey	841	270	-3
Woolworth Hldgs.	380	257	

APPOINTMENTS

Research and technology director of ICI

■ IMPERIAL CHEMICAL INDUSTRIES has appointed Dr Peter Doyle as an executive director from January 1. He is technical director and UK deputy chairman of ICI Pharmaceuticals. Dr Doyle will succeed Sir Charles Reece on February 1 as group research and technology director. Sir Charles, who has been an ICI director since 1979, is retiring at the end of January.

■ DRUM (dealing room unit management), part of the Dukes Group, has appointed Mr George Forrest as managing director.

■ Mr Christopher Wyke has joined BANKERS TRUST INVESTMENT MANAGEMENT as a director and head of fixed income. He was with Rothschild Asset Management where he managed international fixed income funds.

■ CLARKSON WOLFF has appointed Mr Phillippe van den Abeele and Mr Ian Bland as additional directors.

■ Mr Malcolm Wesley has been appointed general manager, Canada, for BRITISH GAS from November 1.

■ Mr John Birrane has been appointed managing director of DUNLOE HOUSE GROUP. He is the son of the late Mr M.S. Birrane who was responsible for the acquisition of a major shareholding in the Dunloe Group in 1981 by Western International Trust. That changed the emphasis of the company's activities from clothing manufacture to the property sector. John Birrane has spent the last nine years working in the property business.

■ Mr David Dale has joined THE COMMUNICATION GROUP as a director. He was a director of Charles Barker (City).

■ Mr Robert H. Bailey has been appointed financial director of BRITANNIA FIRE. He was chief executive of a subsidiary of Ellis and Goldstein.

■ LEGAL & TRADE FINANCIAL SERVICES has appointed Mr Paul Anslow as group financial director. He was group financial director with Messenger Newspaper Group. Mr William J. Wilson becomes company secretary and compliance officer. He was group accountant.

■ DPP (HOLDINGS) has appointed as non-executive chairman Mr Eric Lipscombe, managing director of Teredata Europe.

■ Dr Joe Kiener is to become executive vice president of CHRYSALIS GROUP, a music, recording and records company. He joins from Adidas USA, where he was president and chief executive officer.

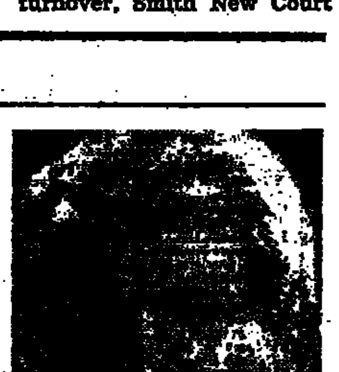
■ COLONIAL MUTUAL GROUP has appointed Mr George Shuker to the new post of tied agency manager, to recruit and co-ordinate tied agents. He joins from UCB, where he was national sales manager for the bank's mortgage arm.

■ Mr Alastair Paterson, senior partner of Bullen & Partners, has become president of the INSTITUTION OF CIVIL ENGINEERS.

■ Mr Gordon Bayley, non-executive chairman of the Swiss Reinsurance Company (UK), has been appointed by the Department of Trade and Industry to the steering board of Companies House executive agency. The board will advise DTI Ministers on strategic priorities for the new agency.

■ Mr Desmond Nichols has been appointed deputy managing director of the DAILY MAIL. He was marketing and promotions director. Mr Peter Chadwick, executive director, has resigned.

■ Sir Arthur Norman will be retiring from the board of KLEINWORT BENSON GROUP on November 1, when Mr George Turnbull, chairman and chief executive of Inchcape, will join the board as a non-executive director.



Mr David Dey joins the board of BRITISH TELECOM on November 1. Mr Dey, who joined the company in January after a career with IBM and Plessey, was recently appointed managing director of BT's newly-formed communications systems division, which amalgamates the activities of British Telecom Enterprises and International Products Division.

■ Mr Richard P. Farr has been appointed chief executive, and Mr Michael D. Ewing becomes finance director of NEW CAVENDISH ESTATES. Mr Farr was an associate director of Greycoat Group, and Mr Ewing was finance director of Waterglade International Holdings. Mr John Everitt, managing director of New Cavendish Estates, is to resign, but will continue to provide consultancy.

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
70	43	Time Inc $1	46	–	$2.00	–	0.9
21	15	Transamerica $1	19	+	$1.84	–	5.5
20	14	TRINOVA Corp	14	–	64c	–	2.6
19	15	USX $1	15	–	$1.20	–	4.4
24	17	Utd Technologies	24	–	$1.65	–	3.9
34	26	US West	32	–	$3.52	–	6.3
24	16	Waste Management $1	23	–	48c	–	1.2
16	12	Whirlpool $1	15	.....	$1.10	–	4.1
33	18	Woolworth $3½	31	–	$1.64	–	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

308	200 Takare ... y	303	...	b1.0	8.1	0.4	31.1
70	41 Theme Holdings	66	....	ϕ1.1	ϕ	2.2	ϕ
36	26 Tomorrows Leisure 20p y	28	......	–	–	–	ϕ
25	13½ Tullow Oil 10p..... y	20	...	–	–	–	–
135	110 UPL Group 10p..... y	113	...	L2.41	4.3	2.8	15.4
182	120 Unit Group.......... y	145xd	+2	5.0	2.9	4.6	8.2
125	85 Video Tape Rec 5p y	107	...	L2.3	2.3	2.9	15.4
6	2 Wilton Group....... y	5½xd	–½	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- $ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ¤ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- L No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	71	....
Craig & Rose £1.. y	690	....
Finlay Pkg. 5p.... y	85	....
Holt (Jos) 25p..... y	£11⅞	....

IRISH

Cap. 8½% Ln. 1991....	£99⅝	....
9pc Cap Ln. 1996..	£103¼	....
Fin. 13% 97/02...	£124¼	....
Arnotts.............. y	395	....
Carrol Inds.......... y	167	....
Grafton Grp......... y	145	....
Hall (R. & H.).......	156	....
Helton Hldgs........ y	68	....
Irish Ropes.......... y	165	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met.	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	38
Rank Org Ord.	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	38
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

De Beers sharply reduces rough diamond supplies

By Andrew Whitley in Jerusalem

THE CENTRAL Selling Organisation, the De Beers subsidiary which controls a large share of the world market for uncut diamonds, is significantly reducing its supply of roughs to cutting and polishing centres this month.

The move has been generally welcomed in Israel, the leading manufacturing centre, as a likely boost to the price of finished goods.

Prices, particularly of larger stones, have been depressed lately in the two most important Western markets – the US and Japan. Israeli diamond manufacturers and dealers said yesterday they expected their allocation from next week's "sight" – a purchasing round of packages of rough diamonds – at the CSO's London headquarters to be down by about a third.

The worldwide value of the sight was estimated by one dealer at between $350m and $400m.

"What we can foresee is that for one or two months there will be a shortage of supply of roughs," said Mr Moshe Schnitzer, president of the Tel Aviv Diamond Exchange. "But this should push up the price of polished goods, benefitting the world industry." Another diamond expert said, admiringly. "It's a reflection, once again, of the CSO's ability to gear supply to demand."

After two price rises imposed by the CSO this year, cutters in several centres around the world, including Israel, have encountered losses lately because of their inability to pass on the increases to their customers. To maintain turnover and cash flow, several have been compelled to sell at below their cost price.

The current downturn has taken little sparkle of what was already certain to be another record-breaking year for the Israeli diamond industry. Exports of cut stones are forecast to reach $2.6bn in 1988, up from last year's record of $2.05bn. De Beers' share in Israel's imports has, meanwhile, risen substantially over the past 12 months: from a third to nearly 45 per cent. In 1987, industry analysts calculate that the CSO sold Israel $532m worth of roughs, out of net imports of $1.62bn; whereas, for this year, the comparable figures are $800m out of $1.8bn to $1.9bn.

The darkest cloud on the horizon comes from the prospect of the demise of Emperor Hirohito of Japan, who has been critically ill for weeks.

Such an event, one Israeli diamond man said yesterday, would plunge the country into a year of mourning, cancelling weddings and thus sharply reducing the demand for diamond jewellery.

Soviet metal flood 'unlikely'

By Kenneth Gooding, Mining Correspondent

CONCERN THAT the Soviet Union might compensate for current low world oil prices by boosting exports of high-value metals such as nickel and gold so far seems groundless, according to western traders and analysts.

Traders remember clearly that in 1985, when demand for nickel rose sharply, the Soviet Union swamped the market with metal, driving the London Metal Exchange's three-month price down from about £5,000 a tonne in the first quarter to £2,700 a tonne by the end of the year.

Last year, when nickel demand reached unprecedented levels, the Soviet Union is estimated to have increased exports to the non-communist world by about 35,000 tonnes to between 50,000 and 60,000 tonnes.

However, Mr Ian McDougall, executive vice president of Inco, the world's biggest nickel producer, says that Soviet officials recently told Inco executives that an increase in nickel exports to the west was "unlikely."

Mr McDougall suggested that the Soviet Union needed the nickel for its domestic industries.

Nickel traders have recently noticed an increase in Soviet shipments to Rotterdam but Mr John Harris, an analyst with Rudolf Wolff, the London metal trader, believes this is almost certainly in anticipation of a harsh winter.

He suggests that during 1988 shipments of nickel from the Soviet Union will probably be maintained at the increased level of last year, roughly 4,000 tonnes a month on average.

On gold, Mr Harris says: "So far there is no evidence in the market of increased Soviet sales. Moreover, as long as market conditions remain vulnerable, we think the Soviets will maintain a lower gold-sales profile."

His organisation estimates that the Soviet Union, China and North Korea sold about 7m troy ounces (218 tonnes) of gold during 1987 and that this year's total will be between 7m and 8m ounces.

Other analysts, including the Christian, Podleska & van Mussenchenbroek consultancy group, have estimated that the three countries sold about 10m ounces of gold last year. Mr Jeffrey Christian of CPM's New York office suggests that sales by the centrally-planned economies are likely this year to be about 8m ounces.

He points out that a complex matrix of factors appears to be considered by the Soviet Union when it is determining its gold sales policies – including foreign exchange requirements, import financing requirements, projected oil revenue and other export earnings as well as credit terms available to the Soviet Union in the international market.

EC plans more marketing aid for nuts

By David Buchan in Brussels

THE EUROPEAN Commission yesterday proposed increased aid to improve the marketing of EC nuts, as its answer to repeated requests by southern European nut growing countries for greater protection against imports, chiefly from the US and Turkey.

The proposed measures concern almonds, hazelnuts and common walnuts grown by European Community farmers, whose share of the European market has fallen to 70, 50 and 75 per cent, respectively, because of higher quality imports. Some 80 per cent of EC production in these categories now goes to industrial use.

The Commission acknowledged that the US was now a substantial exporter to the Community of almonds and walnuts, while Turkey now accounted for 95 per cent of EC hazelnut imports.

It argued, however, the right response was not to increase existing import duties, but to improve nut-marketing organisations which could put a more regular flow of higher quality products onto the EC market.

The new measures Brussels is proposing would increase aid to the almond, hazel and walnut sectors to Ecu 25.4m (£16.7m) in 1990, rising to Ecu 68.5m in 1994.

UK milk boards face imports challenge

By Bridget Bloom, Agriculture Correspondent

FOR THE first time in 40 years, fresh milk will be legally importable in bulk into Britain next month, a move which many believe could undermine the monopoly enjoyed by the Milk Marketing Boards.

The Ministry of Agriculture announced this week that it has introduced regulations allowing the import of pasteurised milk from other EC countries from November 16.

The regulations have been introduced to comply with a judgement of the European Court requiring Britain to join other member states in allowing free trade in milk by January 1, 1989.

While the precise impact of the new regulations may not be clear for some months, their importance lies principally in the potential challenge to the milk boards' monopoly of marketing milk produced by the UK's 33,500 dairy farmers.

The marketing boards, together with the Dairy Trades Federation, fix prices at which milk and milk products like butter and cream are traded. It is thought that the more flexible pricing arrangements in Germany, France, the Benelux countries and particularly the Irish Republic, could enable milk suppliers there to undercut MMB prices to Britain's dairy companies and supermarket chains.

Some observers believe that the threat is exaggerated. They point out that continuity of supply as well as price levels are critical particularly for the liquid milk market, which takes about half the total production of 12bn litres a year.

Danes to drop oil royalties

ROYALTY PAYMENTS WILL be eliminated and the state oil exploration company's share in oil licenses will be reduced when the next licensing round for oil and gas exploration in the Danish on-shore and off-shore areas takes place in 1989, writes Hilary Barnes in Copenhagen.

The easing of conditions is necessary because of lower oil prices and in order to keep the Danish areas competitive in relation to other North Sea sectors, the Energy Ministry said.

The share of licenses awarded to Dopas, the state oil company, will be reduced from 20 per cent in the previons licensing round to between 10 and 20 per cent, depending on prospects in the area licensed.

Equipping for the next gold rush

Kenneth Gooding on the lure of rich, but less accessible deposits

Pouring gold at a plant built by Davy McKee in Nevada - some of the latest US gold rush

THE RELATIVELY high price of gold during the 1980s, which encouraged a boom in production in Australia and North America, will shortly begin to have an impact on other, less-accessible, parts of the world.

China, for example, is determined to become a gold superpower by doubling production in the next five years.

The country's exact level of gold output is a state secret but western analysts reckon production is 50 to 65 tonnes a year, which puts China about sixth or seventh in the world.

Elsewhere perhaps the greatest challenge for gold miners for the rest of this century is the "rim of fire" – a broad arc of volcanic rocks swinging round the Pacific Basin from Chile through Fiji, New Zealand, the Solomon Islands and Papua New Guinea to Indonesia and then arcing up through the Philippines to eastern China and Japan.

The rim of fire contains scores of epithermal gold deposits on the surface near to ancient vents or volcanoes. The gold became concentrated as it passed through the heated rocks on volcanic systems and often formed very rich deposits.

Getting to grips with the gold in the rim of fire will be no picnic. Most deposits are in tropical rain forests, in mountainous country or on remote islands. But, while the difficulties might be immense, so are the quantities of gold.

The miners will be leaning heavily on their suppliers to share the load in the expensive and complex ventures ahead. One of the suppliers which expects to benefit as the gold rush enters its new phase in Davy McKee, part of the UK-based Davy Corporation.

Davy McKee, which has mining and metallurgical customers world-wide, already has firm links with China and will contribute to one of the major rim of fire projects – at Lihir Island, Papua New Guinea.

The company's China connection was made after a delegation from the China Gold Bureau took a world tour to study new recovery techniques, particularly those needed when other metals and silver were mixed with gold. As a result, in 1980 Davy McKee won a contract for a small project. Two more followed, each bigger than the last and each giving the company more responsibility.

The Lihir Island project was another example of the client hand-picking suppliers, says Mr Mike Bickers, managing director of Davy McKee. BP Minerals, the British Petroleum subsidiary, will have to spend about $1bn if it decides to go ahead and will split the work between Davy McKee, the Stearns Roger Division of United Engineers and Contractors of the US and the Australian group, Kinhill Engineers.

"BP Minerals pushed the three of us together," says Mr Bickers.

BP Minerals has yet not given final approval to the Lihir project and is still looking at feasibility studies. However, the property holds at least 400 tonnes of gold, worth $5bn at current prices, and most analysts expect a start to be made early next year.

Lihir illustrates the difficulties endemic in the rim of fire gold deposits. The metal is in the crater of an active volcano and the rock will have to be cooled with piped sea water.

The gold is also locked up in highly refractory (heat-resistant) rock and requires oxydising by heating the ore to very high temperatures in roasters or autoclaves if recovery rates are to be reasonable. This is where Davy McKee comes in – it will supply and equip the complex processing plant.

Mr Bickers says the project may not be the most profitable Davy McKee has been involved in, but "Lihir has leading-edge process technology at a world-class ore body in a pioneering area of the world. We would love to build a pioneer project in the Pacific Rim area because there will be so much more development there."

Davy McKee also has been getting its fair share of the business in competition with companies such as Bechtel and Fluor as the US rapidly builds up its gold output using new techniques, new technology and expensive capital equipment. The company has been building a strong reputation in complex metallurgical projects.

For example, at Homestake Mining's McLaughlin gold mine in California, where Davy McKee provided engineering, procurement and construction management services, the planning had to take account of the State's strict environmental controls, covering not only the construction and operation of the mine but also the way in which it will be closed down in about 20 years time.

Commercialising the $280m project took dedicated process development and a good technical team because the gold is disseminated in very small particles through highly refractory ore.

Because Homestake would not have been able to get permits for any roaster in California, two huge autoclave units, which operate at high pressures and high temperatures, were installed – the first in North America.

Ore enters the autoclaves in a grey slurry and emerges deep brown after oxydation. The gold can then be removed by conventional cyanide leaching.

The autoclaves were installed three years ago and now process 3,000 tonnes of ore a day. Mr John Turney, the mill manager, says: "We've got a new technology here but not too many hydrometallic plants start as well as this did."

In Nevada, where the environmental pressure is not so great, Davy McKee is doing the engineering work on ore roasters at the Jerritt Canyon and Big Springs mines, using proprietary technology developed by the part-owner and manager Freeport McMoRan.

A whole range of metallurgical processes is being used in the US to extract gold from difficult and complex ore bodies. At Echo Bay Minerals' Cove mine in Nevada Davy McKee is supervising the installation of equipment for gravity separation, leaching, flash flotation, column flotation and sulphide concentrate leaching.

All this is a far cry from the first US gold rush in which the old McKee company played its part. It has been supplying American miners since 1849.

Now the company is part of the UK-based Davy Corporation and Mr Roger Kingdon, chief executive of the corporation, which had sales of nearly $800m last year, says that work for the gold mining companies "is now a significant part of our total business."

The group's policy is to focus on its engineering contracting business – its "heartland", says. It is moving away fr "me-too" engineering by dev oping its own technical ed "We focus on a narrow ra of markets and activities a strive to be really good at wi we do. Gold is a prime tar because we have the expert to provide a real service to gold industry."

Mr Bickers says that ab 60 per cent of Davy McK business comes from outs the US. "Gold and silver in the US was about the only gam town until last year wi other metal prices began improve. Now the base me jobs are coming back."

Despite the severe recess in the base metals indust during the first half of 1980s Davy McKee did get so work from them.

Among other projects company was involved in redevelopment of BP Miner Bingham Canyon copper-g silver mine in Utah, now reopened, as well as havi continuing interest in design and construction of facilities for the mas Chuquicamata and El Teni copper mines owned Codelco in Chile.

Mr Bickers claims that three base metals smel have been built in the past years and Davy McKee I them all. This paid off w Inco, the world's largest ni producer, decided recentl spend $400m to expand smelting capacity and red pollution at its huge facilit Sudbury, Ontario.

Inco said Davy McKee c have the contract if the t which built the new Ma copper smelter in San Mar Arizona, was available to the job. The Magma cont was completed so Davy Mc team was able to switch the team to the Inco project.

"We do big, complex jobs we haven't won a single tract in the past five yea being the lowest bidder," Mr Bickers. "We get cont from references and ex ence. And we guarantee performance."

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA and coffee prices came under pressure from the jump in sterling after better than expected UK September trade figures. Cocoa prices were also affected by the New York opening and belated hedging against recent producer sales. However, dealers said there was no fresh news influencing the decline in coffee prices. The market remains cautious because of uncertainty about whether there will be an increase in International Coffee Organization export quotas. On the LME, aluminium prices were lifted in the afternoon by short-covering. Dealers said the buying was partly inspired by the recovery in copper prices from earlier sharp losses. The copper market still shows no sign of entering into a more stable trading pattern, dealers said, and daily movements continue to be volatile and technically motivated.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.45-0.50x	+.195
Brent Blend	$12.25-2.35z	+.165
W.T.I. (1 pm est)	$13.48-3.51x	+0.19

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	+2
Gas Oil	$115-116	
Heavy Fuel Oil	$57-59	
Naphtha	$131-133	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♦	$407.75	+0.75
Silver (per troy oz)♦	621c	-2
Platinum (per troy oz)	$523.75	-13.00
Palladium (per troy oz)	$122.25	-0.35
Aluminium (free market)	$2435.5	-39.5
Copper (US Producer)	146¾-149c	
Lead (US Producer)	40c	
Nickel (free market)	530c	+5
Tin (European free market)	£4147.5	+15
Tin (Kuala Lumpur market)	19.19r	-0.14
Tin (New York)	339.0c	+0.5
Zinc (Euro. Prod. Price)	$1437.50	
Zinc (US Prime Western)	70¾c	
Cattle (live weight)†	108.41p	+0.04*
Sheep (dead weight)†	151.22p	-13.9*
Pigs (live weight)†	72.33p	-0.92*
London daily sugar (raw)	$276.8w	+6.2
London daily sugar (white)	$278.0w	+6.0
Tate and Lyle export price	£266.5	+3.0
Barley (English feed)	£109.5z	
Maize (US No. 3 yellow)	£125.5v	
Wheat (US Dark Northern)	£115.5w	-1.0
Rubber (spot)♥	57.00p	-1.00
Rubber (Dec)♥	64.50p	-0.75
Rubber (Jan)♥	65.00p	-0.75
Rubber (KL RSS No 1 Nov)	282.0m	+0.5
Coconut oil (Philippines)§	$570w	
Palm Oil (Malaysian)§	$435u	
Copra (Philippines)§	$370	
Soyabeans (US)	$185.5	+1.5
Cotton "A" index	58.05c	-0.70
Woolitops (64s Super)	657p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	782	794	792 774
Mar	771	790	790 769
May	776	796	791 774
Jul	789	810	803 786
Sep	805	825	810 805
Dec	844	865	
Mar	856	880	859 857

Turnover: 3921 (7917) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 26: 994.92 (1023.70):10 day average for Oct 27: 1002.94 (1000.54) .

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1110	1121	1129 1095
Jan	1116	1131	1135 1110
Mar	1127	1135	1138 1120
May	1130	1135	1143 1117
Jly	1133	1138	1148 1124
Sep	1140	1143	1148 1140

Turnover: 6223 (3442) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 27: Comp. daily 114.82 (114.90); . 15 day average 113.67 (113.63).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	241.00	243.00	245.00 243.00
Mar	233.40	235.60	236.20 233.00
May	227.60	229.80	232.20 227.00
Aug	222.20	226.00	226.80 221.80
Oct	220.00	222.60	224.00 219.60

White	Close	Previous	High/Low
Mar	265.20	267.00	268.00 264.50
May	262.00	263.50	263.00 260.50
Aug	260.00	262.00	
Dec	258.00	260.50	
Mar	260.00	261.00	261.00 259.00

Turnover: Raw 3336 (2673) lots of 50 tonnes. White 443 (1342). Paris- White (FFr per tonne): Dec 1680, Mar 1610, May 1595, Aug 1586, Oct 1563, Dec 1576

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	117.50	115.00	117.50 115.25
Dec	118.50	116.00	118.75 116.25
Jan	119.25	117.50	119.50 116.75
Feb	119.00	118.00	119.00 117.00
Mar	114.50	115.50	118.00 114.00
Apr	113.25	112.50	114.00 112.50
May	113.00	112.25	113.00
Jul	113.00		113.00

Turnover 7670 (7388) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	107.65	107.00	107.75 107.30
Jan	111.80	111.10	111.90 111.30
Mar	114.70	114.10	114.80 111.60
May	117.70	117.20	118.00 117.40
Jun	119.10	118.60	119.10
Nov	105.35		105.50 105.35

Barley	Close	Previous	High/Low
Nov	104.10	103.85	104.10 104.00
Jan	108.20	108.15	108.40 108.20
Mar	111.10	110.90	111.15 111.00
May	112.90	112.65	112.90 112.80

Turnover: Wheat 488 (273), Barley 130 (138). Turnover lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Nov	52.0	51.0	51.0 50.0
Feb	67.0	65.0	
Apr	96.0	95.7	96.9 95.9

Turnover 64 (137) lots of 40 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 9,125 tonne
Cash	2455-65	2420-5		2433-8		
3 months	2293-5	2290-5	2300/2255	2265-70	2285-90	17,873 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 3,650 tonne
Cash	1380-400	1350-60	1380	1375-80		
Dec. 21	1270-90	1250-60	1265/1260	1260-5	1270-90	26,048 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,550 tonne
Cash	1790-800	1812-7	1765/1755	1755-65		
3 months	1600-1	1622-4	1603/1563	1569-70	1589-90	63,230 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1675-85	1655-75		1630-50		
Jan. 4	1585-95	1605-15		1555-65		33 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	615-8	616-9		616-8		
3 months	628-31	629-32		628-31		431 lots
Lead (£ per tonne)						Ring turnover 9,300 tonne
Cash	375-7	380-1		375-6		
3 months	379-9.5	381-2	385/378	379-80	384-5	10,176 lots
Nickel ($ per tonne)						Ring turnover 378 tonne
Cash	11750-800	11750-800	11700/11650	11650-700		
3 months	10700-800	10700-50	10750/10680	10680-700	10700-800	5,798 lots
Zinc ($ per tonne)						Ring turnover 8,725 tonne
Cash	1535-45	1550-5		1530-5		
3 months	1445-55	1446-8	1460/1435	1440-5	1455-60	15,355 lots

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	165.00	166.00	166.50 165.00
Feb	171.00	170.50	172.00 171.00
Apr	170.00	170.00	172.00 170.00

Turnover 147 (139) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Oct	1370	1373	1370
Nov	1441	1434	1445 1430
Jan	1484	1476	1490 1469
Apr	1522	1515	1525 1512
Jul	1317	1315	1320 1317
BFI	1369	1364	

Turnover 237 (286)

FRUIT AND VEGETABLES

THERE ARE now lots of large homegrown apples available, with Spartans 40-50p a lb (35-50p) and cox's 40-50p while Bramley cooking apples are now abundant 30-45p (30-50p), reports FFVIB. The price of bananas 40-60p and Italia grapes 45-80p remain unchanged, while there are now increased quantities of smaller avocados in the shops 40-75p (40-60p). Homegrown pumpkins 20-30p are in for halloween, and baking potatoes are also more plentiful 12-25p (25-35p). Brussels sprouts are more widely available 18-38p (20-40p), as are brussel tops 25-35p (25-45p). Polish new season onions are now in the shops at 18-30p. Salad prices are all static with tomatoes 30-52p, celery 25-50p and spring onions 20-40p.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	407¾-408	230¼-230¾
Opening	407¾-408¼	230¼-232¾
Morning fix	407.15	231.467
Afternoon fix	407.50	230.031
Day's high	408-408½	
Day's low	406-406½	

Coins	$ price	£ equivalent
Mapleleaf	420-425	237-240
Britannia	420-425	237-240
US Eagle	420-425	237-240
Angel	418-423	229-231¾
Krugerrand	407-410	230-232
New Sov.	100-101	56½-57¾
Old Sov.	100-101	56½-57¾
Noble Plat	551.80-558.20	314.25-317.90

Silver fix	p/fine oz	US cts equiv
Spot	350.90	623.00
3 months	361.25	636.40
6 months	371.35	649.55
12 months	391.70	677.55

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2300	144	150	10	140
2400	72	109	37	196
2500	28	76	92	262
Copper (Grade A)	**Calls**		**Puts**	
[illegible]	350	240	2	185
[illegible]	250	154	8	237
3100	104	123	54	392

US MARKETS

THE METAL MARKETS were again caught up in narrow ranges as trading was dull, reports Drexel Burnham Lambert. Gold, silver and platinum markets fell slighly with mostly local action. Copper prices were lower early in the session but commission houses and short-covering led to a 165 point gain. In the soft commodities, cocoa trading featured trade and speculative selling as prices lost 27 points in the March contract. Volume approached 5000 lots. Sugar futures fell 7 as commission houses were the days best sellers. Coffee declined 79 points in December as speculative selling in London weakened the market. Most of the grain markets traded lower in light volume. Trading ranges were small as local traders dominated the action. Soyabeans lost 9 as some profit-taking was seen. Cotton prices rose 41 in December as commission houses and local traders were featured buyers. Trade groups sold the market later in the session to ease further advances. The meat markets continued to show short term weakness as pork bellies fell 145. Commission houses were days biggest sellers in the meats.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	407.6	408.3	407.9	407.4
Nov	408.0	409.0	0	0
Dec	410.1	411.1	410.8	409.4
Feb	415.1	418.2	415.6	414.6
Apr	420.3	421.4	419.6	419.5
Jun	425.5	426.6	426.1	425.5
Aug	430.5	432.0	0	0
Oct	435.3	437.0	0	0
Dec	441.7	443.0	442.0	441.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	532.1	535.4	535.0	530.0
Apr	532.9	538.9	537.0	532.0
Jul	537.2	541.7	540.5	540.5
Oct	542.2	546.7	543.4	543.4
Jan	548.7	553.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	620.0	622.4	0	0
Nov	620.2	622.4	625.0	625.0
Dec	622.4	626.5	625.5	620.0
Jan	629.5	632.7	0	0
Mar	635.0	640.0	640.4	633.0
May	643.8	652.0	651.0	649.0
Jul	651.9	660.2	662.0	657.0
Sep	662.7	672.1	670.0	670.0
Dec	673.9	683.3	680.0	680.0
Jan	678.7	682.1	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	137.50	136.10	138.10	136.00
Nov	124.60	125.00	0	0
Dec	132.85	131.00	133.00	128.40
Jan	125.65	125.20	125.00	123.00
Mar	120.75	119.45	120.90	116.50
May	117.65	116.30	117.00	114.50
Jul	115.00	113.90	114.50	112.80
Sep	109.00	108.40	110.00	105.70
Dec	105.75	105.00	105.00	102.80
Jan	104.55	104.00	101.00	100.60
Mar	98.75	99.40	100.50	98.25

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	13.49	13.41	13.54	13.29
Jan	13.50	13.46	13.57	13.30
Feb	13.53	13.50	13.58	13.38
Mar	13.64	13.57	13.64	13.45
Apr	13.69	13.63	13.69	13.54
May	13.75	13.70	13.76	13.64
Jul	13.91	13.84	13.91	13.84

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	4270	4155	4275	4140
Dec	4295	4215	4315	4195
Jan	4285	4232	4300	4205
Feb	4235	4202	4250	4180
Apr	3849	3792	3840	3785
May	3720	3687	3720	3700
Jun	3650	3637	3650	3650
Jul	3650	3632	3665	3650
Aug	3710	3682	3710	3710

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1290	1314	1320	1288
Mar	1257	1284	1285	1254
May	1268	1294	1296	1265
Jul	1286	1317	1310	1283
Sep	1305	1333	0	0
Dec	1335	1368	1347	1340
Mar	1367	1388	1398	1367

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	125.64	126.43	127.30	125.50
Mar	126.60	127.29	127.80	126.40
May	126.40	126.63	127.00	126.40
Jul	125.33	126.50	126.05	124.75
Sep	124.75	125.50	125.55	124.75
Dec	124.38	124.52	125.10	124.36
Mar	125.36	125.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.02	10.06	10.20	10.02
Mar	10.33	10.40	10.54	10.28
May	10.04	10.14	10.26	10.03
Jul	9.80	9.95	10.08	9.80
Oct	9.76	9.85	9.92	9.76
Jan	8.76	8.85	0	0
Mar	8.45	8.54	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	55.80	55.39	56.03	54.75
Mar	56.00	55.66	56.30	54.90
May	56.33	55.75	56.50	55.00
Jul	56.18	56.01	56.25	55.00
Oct	55.70	55.63	55.80	55.20
Dec	55.55	55.45	55.60	55.70
Mar	55.85	55.75	56.00	55.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	185.95	188.80	190.00	184.40
Jan	175.00	174.15	176.10	174.00
Mar	172.35	171.50	172.35	171.10
May	171.35	170.05	171.50	170.50
Jul	170.00	169.50	170.00	169.00
Sep	168.25	163.50	0	0
Nov	163.45	163.50	0	0
Jan	163.45	163.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 28	Oct 25	mnth ago	yr ago
1895.8	1896.7	1851.3	1679.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 28	Oct 25	mnth ago	yr ago
Spot	134.04	134.05	133.22	126.23
Futures	138.22	136.78	134.81	128.23

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	759/0	768/0	768/0	758/0
Jan	775/0	784/0	785/0	774/0
Mar	782/2	790/6	791/2	782/0
May	780/2	787/4	788/4	780/4
Jul	780/0	787/4	789/0	780/0
Aug	756/0	761/0	764/0	756/0
Sep	740/0	747/0	750/0	740/0
Nov	718/0	725/0	727/0	718/4
Jan	728/0	731/0	732/4	725/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	23.61	23.57	23.80	23.41
Jan	23.68	23.86	23.86	23.60
Mar	24.00	23.96	24.25	23.83
May	24.36	24.77	24.97	24.32
Jul	25.00	24.96	25.20	24.80
Aug	25.02	24.96	25.20	24.80
Sep	25.10	24.65	25.10	24.65
Oct	24.75	24.40	24.60	24.50
Dec	24.60	24.20	24.60	24.39

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	245.6	249.2	250.0	245.5
Jan	246.5	249.6	249.5	246.5
Mar	244.9	247.3	248.5	244.5
May	242.2	244.5	245.0	242.0
Jul	240.0	242.0	242.0	239.8
Aug	235.0	235.0	235.0	232.5
Sep	229.0	229.0	230.0	227.0
Oct	220.0	222.5	222.0	220.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	274/6	280/4	280/4	274/6
Mar	282/4	286/4	286/4	282/2
May	287/2	291/0	291/0	287/0
Jul	289/2	293/4	292/4	288/6
Sep	280/2	284/0	284/0	280/2
Dec	268/2	272/0	272/0	268/0
Mar	277/0	280/0	280/0	276/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	414/4	419/2	414/0	408/0
Mar	419/2	423/2	423/2	418/0
May	400/2	403/0	403/0	400/0
Jul	371/6	374/6	374/0	371/4
Sep	376/0	377/0	377/0	376/0
Dec	384/0	386/0	386/0	383/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.67	73.30	74.00	73.57
Dec	74.37	74.45	74.67	74.22
Feb	73.35	73.47	73.70	73.20
Apr	75.10	75.00	75.25	74.95
Jun	73.95	73.70	74.00	73.50
Aug	71.42	71.40	71.82	71.35
Oct	70.75	70.65	71.20	70.60
Dec	71.05	71.50	71.05	71.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.12	41.27	41.57	41.00
Feb	44.80	44.95	45.25	44.70
Apr	41.55	41.35	41.62	41.32
Jun	46.05	46.05	46.27	45.75
Jul	46.82	46.85	46.97	46.52
Aug	46.00	46.00	46.20	45.90
Oct	42.75	42.70	42.95	42.70
Dec	44.65	44.65	44.77	44.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.10	49.57	49.45	48.00
Mar	48.70	49.97	49.57	48.50
May	50.42	51.77	51.40	50.00
Jul	51.20	52.60	52.10	51.10
Aug	50.00	51.35	51.30	50.00

FT 28/10/88

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

CANADA

TORONTO
4pm prices October 27

Total Sales 5,152,258 shares.

MONTREAL
4pm prices October 27

INDICES

NEW YORK — DOW JONES

	Oct 27	Oct 26	Oct 25	Oct 24	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2140.83	2165.18	2173.36	2170.34	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.22	90.18	89.96	90.00	91.25 (3/3)	86.12 (4/1)	–	–
Transport	921.59	935.01	938.33	933.84	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.87	186.80	186.05	185.57	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2165.54 (2182.61) Low 2120.91 (2148.47)

STANDARD AND POOR'S

	Oct 27	Oct 26	Oct 25	Oct 24	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.28	282.38	282.38	282.28	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	319.18	324.22	325.04	327.53	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.76	26.08	26.10	26.20	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.17	158.37	158.87	158.85	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	300.64	303.44	304.38	304.95	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	381.77	385.19	386.12	387.23	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Oct 21	Oct 14	Oct 7	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.60	3.54
	Oct 26	Oct 19	Oct 12	year ago (approx.)
S & P Industrial div. yield	3.07	3.12	3.15	3.31
S & P P/E ratio	13.65	13.42	13.15	16.39

TRADING ACTIVITY † Volume Millions

	Oct 27	Oct 26	Oct 25
New York	196.540	182.772	155.190
Amex	8.215	9.000	10.185
OTC	122.656	110.409	111.667

NEW YORK

	Oct 27	Oct 26	Oct 25
Issues Traded	1,946	1,934	1,953
Rises	310	610	701
Falls	1,198	813	727
Unchanged	438	511	525
New Highs	27	47	52
New Lows	34	24	19

CANADA — TORONTO

	Oct 27	Oct 26	Oct 25	Oct 24	1988 High	1988 Low
Metals & Minerals	2935.2	2946.9	2947.4	2947.7	3226.5 (5/7)	2238.7 (8/2)
Composite	3404.8	3430.1	3424.5	3411.6	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1692.08	1707.58	1706.96	1706.62	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Pinnacle	8,695,300	16¾	+ ⅛	Kroger WI	2,691,800	8⅞	– ⅛
RJR Nabisco	6,950,200	82	– 2⅛	General Motors	2,656,200	80½	+ 2⅞
Security Pacific	5,056,200	39⅛	– ⅛	Wickes	2,574,300	9½	---
Kraft Inc	5,045,100	94½	– 3	Sears Roebuck	2,276,200	43⅛	– 1⅛
Pillsbury	2,708,500	58⅞	– 2⅛	Polaroid	2,191,400	35½	– 1⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Oct. 27	Oct. 26	Oct. 25	Oct. 24	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1583.6	1582.1	1580.6	1587.4	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	745.9	743.0	737.1	744.5	847.8 (9/8)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	217.4	(c)	218.0	219.4	219.50 (21/10)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	5343.00	5347.90	5337.32	5338.60	5347.90 (26/10)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	245.30	244.84	241.90	241.21	245.30 (27/10)	180.68 (4/1)
FINLAND Unitas General (1975)	713.6	714.3	714.7	709.1	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	392.2	391.3	388.5	387.5	392.2 (27/10)	251.3 (29/1)
Ind. Tendance (31/12/87)	151.2	151.5	151.0	150.0	151.5 (26/10)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	542.21	537.73	530.94	530.13	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1641.60	1627.50	1607.90	1605.50	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1313.35	1310.63	1293.72	1281.22	1313.35 (27/10)	931.18 (28/1)
HONG KONG Hang Seng Bank (31/7/64)	2617.25	2610.62	2584.53	2562.46	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	580.49	584.85	582.44	590.84	592.69 (20/10)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	27722.92	27620.60	27421.49	27281.54	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2140.96	2130.80	2120.78	2111.24	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	285.6	285.8	282.4	281.2	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	250.7	250.3	246.8	246.9	250.7 (27/10)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	402.47	399.89	401.17	399.58	423.64 (21/7)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1040.10	1043.22	1036.69	1044.47	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1333.0♦	1320.0	1297.0	1294.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1826.0♦	1809.0	1801.0	1806.0	1826.0 (27/10)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	289.84	291.04	291.49	291.86	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	3227.40	3233.10	3217.70	3208.50	3233.10 (26/10)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	577.2	580.3	578.5	579.0	582.3 (21/10)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	471.8	468.9	468.1	471.8 (26/10)	401.0 (21/1)

**Saturday Oct. 22: Japan Nikkei 27,338.57 and TSE 2,118.91
♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 27 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	200.5m	656	+31	Osaka Gas	67.0m	879	+45
Sumitomo Metal	132.0m	769	+19	Kawasaki Heavy	68.2m	843	+40
Kawasaki Steel	131.2m	1,050	+65	Kobe Steel	58.8m	720	+12
Mitsubishi Heavy	124.4m	1,020	+22	Hitachi Zosen	52.7m	894	+42
NKK	79.0m	656	+16	Mitsui Mining & Smelting	52.4m	700	+60

4pm prices October 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	1.7	18	432	25½	25	25½	+⅛
10¼	9	ACM n				144	9⅝	9⅛	9¼	−⅛
12⅛	10½	ACMIn	1.26a	11.		558	11½	11⅜	11½	+⅛
12⅛	10⅝	ACMSc	n1.26	11.		627	11¼	11	11	−⅛
10⅛	8⅞	ACMSp	n1.01	11.		350	9⅛	9⅜	9⅛	−⅛
5⅝	2⅝	AMCA				50	3⅝	3⅝	3⅝	
6⅛	3⅞	AM Intl				867	5⅛	4⅞	4⅞	−⅛
23⅛	17	AM Int pf	2	9.3		109	21⅝	21½	21½	−⅛
51⅛	26⅛	AMR			8	2864	49⅞	48½	48⅞	−1
24⅛	19	ANR pf	2.12	8.8		1	24	24	24	
9½	5⅛	ARX			11	193	7	6⅞	6⅞	−⅛
58⅜	35⅛	ASA	3	8.1		403	37⅜	37⅛	37⅛	−½
29⅛	9½	AVX	.12e	.7	13	667	18⅞	18	18	−⅞
52⅛	42⅛	AbtLab	1.20	2.5	15	3641	48⅞	48	48⅛	−⅛
27⅛	15⅞	AbitiBi g	1			117	16⅞	16½	16⅞	−⅛
13⅞	8½	AcmeC	.40	4.6		242	9	8⅞	8⅞	−⅜
8⅞	6½	AcmeE	.32b	4.8	47	22	6⅞	6⅞	6⅞	+⅛
29½	10⅛	Acuson			24	1477	23⅞	22	23	−⅞
17⅛	14⅛	AdaEx	3.05e	19		335	16⅞	16⅛	16⅛	−⅛
16⅞	7½	AMD			16	5570	8⅞	8½	8⅞	−⅛
43½	29⅛	AMD pf	3	9.4		220	32⅛	32	32	−½
8½	4⅞	Adobe				904	7⅛	7⅛	7⅛	−⅛
18½	16⅞	Adob pf	1.84	11.		1	17½	17½	17½	−⅛
21⅞	18⅞	Adob pf	2.40	12.		2	20⅛	20⅛	20⅛	−⅛
9⅛	5⅞	Advest	.12	1.7	13	125	7⅛	7	7	−⅛
53½	39½	AetnLf	2.76	5.5	8	2216	50⅝	49½	50⅛	−⅛
34⅛	29½	AfilPb s	.20	.7		354	28⅞	28	28	−½
18⅞	13	Ahmans	.88	5.3	10	2062	17⅛	16⅞	16⅛	−⅜
4⅞	1⅞	Aileen				127	4⅛	4	4	
53⅛	38	AirPrd	1.20	2.9	11	1178	42	41½	41⅛	−⅛
19⅛	11⅛	AirbFrt	.60	3.4	17	93	18	17⅞	17⅞	−⅛
16⅛	6⅛	Airgas			17	85	15⅞	15⅛	15⅞	−⅛
23	14½	Airlease	2.40	13.	8	13	18⅛	18⅛	18⅛	−⅛
9⅛	8½	AlaP dpf	.87	9.3		12	9½	9⅜	9⅜	
100	92	AlaP pf	9.44	10.		z6680	94½	94½	94½	+⅛
89½	80	AlaP pf	8.16	9.7		z5760	84⅛	84	84⅛	+⅛
22½	12⅛	AlskAir	.16	.8	10	1132	22	21⅛	21⅛	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous Page

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AMEX COMPOSITE PRICES

4pm prices October 27

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 27

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WolvEx			63	8	7¾	8	− ⅛
Worthg	.44	15	795	21⅝	21⅛	21¼	− ⅜
Wyman	.80	14	287	15¼	15	15	− ½
−X−Y−Z−							
XL Dta		16	338	26¼	25½	25¾	+ ¼
XOMA			157	13½	13	13	− ¾
X-Rite s		15	250	9¾	9¼	9½	− ¼
Xicor		12	1490	7⅝	7¼	7½	
Xyvan			23	5	4⅞	4⅞	− ⅛
YelowF	.70	20	1404	33⅞	33⅛	33⅛	− ½
ZionUt	1.44		8	24¼	23¾	24¼	+ 1

AMERICA

Dow declines on worries over leveraged buy-outs

Wall Street

FEARS THAT the leveraged buy-out fad may be getting out of hand triggered heavy selling as institutions bailed out not only stocks which had been boosted by takeover rumours recently but also blue chip issues, *writes Janet Bush in New York.*

The Dow Jones Industrial Average started dropping as soon as the market opened, registered a loss of more than 35 points and then stabilised. At the close, the Dow stood 24.35 points lower at 2,141.83 after very active trading of 195m shares.

Two separate pieces of news prompted yesterday's sudden collapse of confidence. The first was that an offering of $1.15bn in Federated Department Stores junk bonds has been postponed by a group of underwriters led by First Boston. The offering, due to be sold this week, was supposed to provide long-term financing for the $6.6bn acquisition last May of Federated by Campeau.

Campeau yesterday denied that the issue had been withdrawn altogether and said that it would discuss restructuring the offering with First Boston.

The news, which came only a week after the management of RJR Nabisco announced a proposal to take the company private through a multi-billion dollar leveraged buy-out rocked confidence that investors are unequivocally willing to buy junk.

On top of the Federated news was the testimony by Mr Alan Greenspan, US Federal Reserve chairman, in which he warned banks to make certain they examined the prospects for LBO financing during periods of recession or high inflation.

He also said that it would be appropriate for Congress to continue an examination of tax incentives related to the use of debt financing, a remark which made institutional equity investors particularly nervous.

Stocks involved with prospective takeovers were particularly hard hit. Kraft, which is fending off a bid from Philip Morris, slid $4 to $94 while Philip Morris itself dipped $⅛ to $95. RJR Nabisco, facing a bidding war between its own management and Kohlberg Kravis Roberts, fell $3 to $82.

First Boston, which is talking to Campeau about a restructuring of the Federated Department Stores offering, fell $1⅛ to $48⅞.

Among other current takeover targets, Chicago Pacific dropped $⅞ to $53⅝, Interco plunged $4 to $66 and TW Services fell $2 to $23.

Stocks which have been subject to buy-out or takeover rumours also suffered. Sears, Roebuck dropped $1⅛ to $43⅝, Mead lost $2⅛ to $44⅞, Mcgraw-Hill fell $2⅞ to $68⅞ and Time slumped $5⅞ to $111⅛.

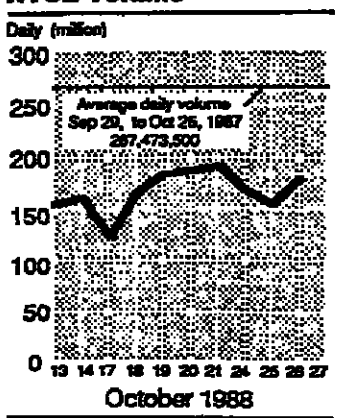
While individual stocks had risen sharply in the last week on takeover rumours and actual bids, the broader market had not kept pace with these movements and the underlying lack of conviction was clearly demonstrated yesterday.

Apart from worries about the current spate of huge potential takeover deals, concern about whether they can be financed and the broader implications for corporate America, in the background is looks like an increasingly vulnerable dollar.

In contrast, bonds rallied, partly reflecting a flight into quality from stocks and from the corporate bond sector which is in turmoil.

Blue chip equity issues took a considerable hit along with takeover candidates. International Business Machines fell $1⅞ to $120⅞, and Proctor & Gamble dropped $1 to $82¼.

NYSE Volume



Canada

GOLD ISSUES led the retreat in Toronto, responding to the fall in the price of gold in New York, as the composite index closed 25.4 lower at 3404.8 in light turnover of 19.1m shares.

Sweden rebounds from poll blues

Sara Webb examines the factors working in the bourse's favour

A combination of good corporate results and plenty of cash has buoyed the Stockholm bourse in the past few post-election weeks.

The Veckans Affärer general index has climbed to new peaks for the year, closing at 1,168.9 yesterday – a rise of 41 per cent since the start of the year – although it still has some way to go before reaching its pre-October crash high of 1,236.8.

The mood of uncertainty which unsettled the market before the September general election has largely evaporated, and institutional investors who have plenty of money left over from the wave of domestic bids earlier this year have been ploughing it back in the market.

The same cannot be said for foreign investors, who have been net sellers of Swedish equities largely because of the high turnover tax in Sweden which makes transactions about three times more expensive than in London. However, Mr Kjell-Olof Feldt, the Finance Minister, has hinted he may grant foreign investors exemption from the turnover tax and he is expected to announce his decision soon.

Most of Sweden's blue chips have turned in healthy profit increases in the past few weeks, and factories are working at close to full capacity.

ESAB, the huge welding company, lifted profits by 50 per cent in the first nine months, and Saab-Scania managed to raise earnings by 10 per cent, reversing the setbacks earlier this year with a strong performance between May and August. Nordstjernan, the recently-listed property and construction group controlled by the Johnson family, doubled its profits.

Strong demand for pulp and paper has boosted forestry groups like SCA – which saw profits up 45 per cent in the first eight months and rounded off a series of foreign acquisitions with a deal this month to buy a majority shareholding in Laakirchen, an Austrian manufacturer of printing paper and hygiene products. Forestry group MoDo suffered a decline as a result of the high costs of its merger with Holmen and Iggesund, but it said underlying business was healthy.

Increased lending has helped lift the banks' profits. Foreign investors are currently unable to enjoy the benefits, but there are plans to allow them to buy Swedish bank shares in the next couple of years.

The spate of takeovers meanwhile continues. Mr Erik Penser, known as the Greta Garbo of Swedish financiers because of his publicity-shy nature, rearranged his empire into a concentrated industrial group under the Nobel Industries name: Nobel bid for outstanding shares in the investment companies controlled by Penser in a deal worth about SKr10bn ($1.6bn) and will sell off shares and property to help finance strategic industrial acquisitions in future.

Even the once scandal-ridden Fermenta is buying up finance concern Independent Finans, its first sizeable acquisition under new management and an attempt to restore investor confidence.

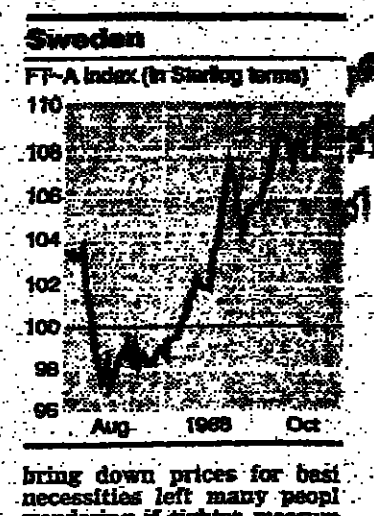
Figures out this week suggest that Sweden's big groups are stepping up their campaign to invest heavily in the European Community in readiness for the completion of the internal market in 1992. Investments in the EC by Swedish companies reached almost SKr20bn in the first six months of 1988 compared with SKr24.5bn for all of 1987.

The picture is not uniformly favourable for the market and the economy. Mr Feldt's announcement on Wednesday of tax cuts and measures to bring down prices for basic necessities left many people wondering if tighter measures would be required to cure the Swedish disease of high wage increases and inflation well above the OECD average.

Recent reports from the banks suggest inflation will reach as much as 8 per cent next year, though the Government adopted a more upbeat tone and predicted a figure of 6.3 per cent this year and 5 per cent in 1989.

Mr Feldt warned that growth would slow to 1.7 per cent in 1989 and said the current account deficit would deteriorate markedly.

Sweden



ASIA PACIFIC

Institutions redirect funds from bonds into equities

Tokyo

RIDING on a wave of renewed activity, share prices rose for the third consecutive day and turnover continued to be strong, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average rose 102.52 to 27,722.92 and volume once again reflected a healthy recovery of interest at 2.24bn shares compared with 2.91bn on Wednesday. The Nikkei average moved during the day between a high of 27,766.75 and a low of 27,628.84. Rises equalled falls at 431.

The Topix index of all listed stocks added 10.16 to 2,140.96 and in London the ISE/Nikkei 50 index put on 2.19 to 1,714.54.

Of the performance in Tokyo, Mr Stephen Richardson, head of sales at W.I. Carr, said that a sense of frustration had recently been creeping into the market.

Investors and brokers alike had expressed some impatience at being kept from capitalising on the good climate because of uncertainty about the outcome of a proposed capital gains tax and the illness of the Emperor.

The external environment has been very favourable for some time now. Oil prices have been low, the yen has been strong and the Bank of Japan has indicated that it would like to see interest rates fall. As a result, the bond market has performed remarkably well.

Stock market participants were beginning to feel that something had to be done, particularly as brokers face a shorter than usual term this year as the year end is moved to March from September.

Analysts said the larger brokerages had reactivated their sales activities, and institutional investors, who have made considerable gains in the bond market, have been moving their funds into equities.

Activity followed the recent pattern of concentrating on large capital issues which offer institutional investors volume and plenty of liquidity, and on other asset-backed issues.

Steels again led in volume terms. Nippon Steel, with the highest turnover at 200.5m shares, rose Y31 to Y855. Sumitomo Metal, with 132m shares traded, added Y19 to Y769. Kawasaki Steel, third most active with 131.2m shares, rose Y45 to a new high of Y1,040.

The property theme prompted buying in a wide variety of sectors. Fisheries such as Taiyo Fishery and Nippon Suisan which own land along Tokyo's waterfront rose, Taiyo Fishery by Y36 to Y646 and Nippon Suisan Y31 to Y853.

Electric wire cable companies also drew interest for their property along their cables. Showa Electric and Wire Cable added Y79 to Y1,070.

Nippon Yakin Kogyo, a stainless steel maker, has also attracted interest for its property holdings in Kawasaki. It gained Y70 to Y1,550.

In Osaka the OSE average rose 53.34 to 25,571.54. Turnover showed a moderate increase to 225m shares from an already strong 219m on Wednesday. Nippon Steel was the volume leader at 45.2m shares and added Y30 to Y853.

Roundup

MOVEMENTS were generally small in the Asia Pacific region, but Hong Kong was buoyed further by takeover activity and Taiwan regained some of its poise.

HONG KONG saw active trading but ended only slightly higher. The Hang Seng index rose 6.63 to 2,617.25 in turnover of HK$1.15bn compared with Wednesday's HK$778m.

Hongkong & Shanghai Hotels gained 10 cents to HK$5.70 as 38.82m shares, or nearly 4 per cent of the company's issued capital, changed hands, accounting for more than 20 per cent of total trading. Hostile bidder Cathay City added 4 cents to HK$1.65.

Bond International resumed trading and rose to HK$2.08. This compared with a price of HK$1.49 when it was suspended on October 6 for Bond Corp Holdings' announcement it would take the company private with a general offer of HK$2.20 a share.

TAIWAN rallied on buying of bank shares, with the weighted index breaching 6,000 with a rise of 137.02 to 6,018.07.

SINGAPORE eased in the wake of Wall Street's fall, with the Straits Times industrial index off 3.12 at 1,040.10 in turnover of 20.9m shares, down from Wednesday's 25m.

AUSTRALIA was little changed, with resources marginally better but the industrial sector undermined by concern that the Government would tighten monetary policy. The All Ordinaries closed 1.5 up at 1,583.6 in reasonable turnover of 116m shares.

BHP was one of the most active stocks with 6.15m shares changing hands in mainly options-related trade. It ended unchanged at A$7.96 as investors waited for the placement of Bell Resources's stake.

NEW ZEALAND saw a midweek surge of interest from US investors fade yesterday, leaving the Barclays index off 7.88 at 2,037.93, *writes Dai Hayward in Wellington.*

Overnight interest on Tuesday, followed by further orders from US buyers during Wednesday's session, brought more than US$5m into the market, most of it for blue chips. This sparked some buying by Australian investors and the index rose to 2,045.81 after losing 11 points to 2,041 in profit-taking on Tuesday. Yesterday, however, banks and insurance stocks led the market down after losses on Wall Street.

SOUTH AFRICA

GOLD shares closed higher in Johannesburg as bullion traded at about $407 an ounce. Among heavyweight golds, Vaal Reefs and Randfontein each gained R2 to R289 and R960 respectively.

EUROPE

Results and rumours raise the temperature

THE STEEP fall in early trading on Wall Street took the shine off gains in Europe, where company news provided plenty of talking points, *writes Our Markets Staff.*

FRANKFURT ran up to another year's high in active trading, but profit-taking and worries about the dollar trimmed gains and left prices mixed at the close. Wall Street's sharp early setback took German shares lower in after hours trading.

The FAZ index showed a midday rise of 4.48 to 542.21, beating the previous 1988 high of 538.27 on October 19. The DAX ended just 2.72 better at 1,213.35 after reaching 1,220.21. Turnover rose from Wednesday's DM3.9bn to DM4.5bn.

One of the most popular stocks was BMW, which powered ahead by DM8 to a year's high of DM550.50. Its nine-month sales figures continue to attract interest, and chartists say DM540 was a breakout point and the stock could now reach DM580 or DM600.

Daimler, by contrast, eased DM1 to DM763, down from a day's high of DM767. It has risen sharply in the past few days and one rumour suggested it might have been ramped in preparation for a share issue or for Deutsche Bank to float off part of its 28 per cent stake.

There was also speculation that insurer Allianz might be building a stake in Dresdner, the second biggest German bank. Allianz gained DM19 to DM1,729 and Dresdner put on DM2.20 to DM307.50. One London analyst said it was more likely Allianz would seek a co-operation agreement with Dresdner than a stake. Allianz already holds nearly 25 per cent of BHW Bank.

Chemical stock Henkel rose DM5 to DM491 after announcing it planned to buy Panigal, a large Italian detergents and food company.

PARIS moved in a narrow range, ending mixed in spite of extremely good figures on the trade deficit for September and continued speculative froth.

The poor opening on Wall Street pulled prices off their highs after a weak welcome for the French trade figures – which came in at a FFr400m surplus against forecasts of a FFr3bn deficit. The OMF 50 index finished 0.95 higher at 407.27 and the CAC General index was up 0.9 at a year's high of 392.2.

Carnaud gained FFr7 to FFr497 after falling on Wednesday in an initial response to its merger with MB Group's packaging interests. One analyst said the move would be good news for Carnaud's profits in the longer-term and revised its earnings per share figure for next year to FFr48 from FFr41.

The Epeda bid saga continued, with Vallourec the latest company to be rumoured to be willing to join a "white knight" group to save the car components maker from the clutches of Valeo. Vallourec, off FFr1.40 at FFr226.60, denied the speculation. Of the other rumoured members, Michelin eased 10 cents to FFr190, and CCF was steady at FFr151.50. Valeo lost FFr3 to FFr595.

AMSTERDAM was dominated by trading in Philips, whose 20 per cent rise in third quarter earnings was welcomed as unexpectedly good. Philips was marked up to Fl 32.10 before easing back to close unchanged at Fl 31.30.

Analysts' comments were not all positive, however. One London specialist was pessimistic about severe competition in consumer electronics and said that if this continued next year "there's nothing for the investor to go for." Another said that most of the trade when Philips' results are announced is speculative rather than fundamental.

Hunter Douglas, the window blind manufacturer, climbed Fl 3.40, or 4.8 per cent, to Fl 74.50 on London buying following presentations in the UK.

The market eased from early gains on the weak dollar and Wall Street's opening losses, and the CBS all-share index closed unchanged at 101.1 in active turnover estimated by one house at over Fl 500m.

MADRID ended slightly lower amid selective profit-taking, with the general index easing 1.20 to 289.84.

Speculation continued in the banking sector. Popular rose 12 points to 1,864 per cent of par on merger rumours while Hispano fell 7 to 835.

Aragonesa, reporting a near trebling of annual profits, climbed 3.5 to 553.5, and construction company Dragados put on 3 to 487. The stock, which had badly underperformed of late, was still benefiting from this week's news of a contract to build a motorway between Seville and Cadiz, said one analyst.

Torras Hostench, 44 per cent owned by the Kuwait Investment Office, announced it was launching a 1-for-3 capital raising programme worth Pta45bn from the start of next month to reduce short-term debt. The stock fell 80 to 2,300.

MILAN eased from Wednesday's rise in renewed profit taking, with the Comit index 4.36 lower at 580.49 and the 600 level being seen as a key resistance level. Recent strong performer Cir fell L122 to L6,145. Olivetti lost L80 to L8,890 and telecommunications stock Sip shed L18 to L3,135.

ZURICH held its ground in the face of profit-taking as the dollar slipped below SFr1.59. The Crédit Suisse index added 1.9 to 497.9. Bank Leu lost SFr15 to SFr3,175 amid news that chief executive Mr Werner Schick was to resign.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	THURSDAY OCTOBER 27 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY OCTOBER 26 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (91)	148.95	-0.1	124.69	120.32	4.17	149.06	125.56	120.21	152.31	91.16	91.72
Austria (17)	95.73	+0.3	80.14	88.20	2.44	95.42	80.38	88.14	98.18	83.72	93.33
Belgium (63)	129.91	+0.0	108.75	120.30	4.21	129.93	109.45	120.32	139.89	99.14	97.14
Canada (125)	124.56	-0.9	104.27	108.64	3.12	125.64	105.83	109.08	128.91	107.06	99.66
Denmark (39)	148.99	+0.9	124.73	138.05	2.19	147.72	124.44	137.58	148.99	111.42	105.65
Finland (26)	126.43	+0.3	105.84	111.62	1.49	126.05	106.18	111.80	139.53	106.78	
France (130)	107.98	+0.4	90.39	102.47	3.17	107.54	90.59	102.22	107.98	72.77	84.01
West Germany (102)	87.49	+0.7	73.24	80.69	2.30	86.87	73.18	80.12	87.49	67.78	77.58
Hong Kong (46)	107.01	+0.1	89.59	107.29	4.70	106.95	90.09	107.23	111.86	84.90	85.17
Ireland (18)	140.91	-0.6	117.96	131.83	3.81	141.77	119.42	132.64	144.25	104.60	108.81
Italy (100)	83.48	-0.6	69.88	82.29	2.44	83.96	70.73	82.93	84.35	62.99	76.66
Japan (456)	171.98	+0.6	143.97	136.70	0.54	171.03	144.07	135.90	177.27	133.61	129.46
Malaysia (36)	140.96	+0.2	118.00	144.84	2.94	140.71	118.53	144.72	154.17	107.83	103.70
Mexico (13)	156.88	+0.2	131.33	392.27	1.39	156.62	131.93	391.63	180.07	90.07	221.35
Netherland (38)	110.31	-0.3	92.35	100.70	4.89	110.69	93.24	101.07	110.69	95.23	96.50
New Zealand (26)	74.62	-0.1	62.47	63.02	6.28	74.69	62.92	63.15	84.05	64.42	85.06
Norway (25)	118.45	+0.6	99.16	106.47	2.72	117.71	99.15	105.81	132.23	98.56	116.74
Singapore (26)	122.67	+0.1	102.69	112.97	2.41	122.55	103.23	113.01	135.89	97.99	90.19
South Africa (60)	110.69	+0.5	92.66	97.76	4.63	110.18	92.81	97.31	139.07	98.26	128.27
Spain (42)	150.33	-0.4	125.85	134.05	3.02	150.96	127.11	134.32	164.47	130.73	115.39
Sweden (35)	130.19	+0.4	108.99	119.15	2.40	129.73	109.28	118.83	130.19	96.92	97.70
Switzerland (56)	84.68	+0.2	70.89	78.41	2.15	84.48	71.17	78.78	86.75	74.13	81.49
United Kingdom (321)	137.28	-0.7	114.92	114.92	4.58	136.31	114.82	114.82	141.18	120.66	118.36
USA (579)	113.09	-1.4	94.67	113.09	3.54	114.64	96.57	114.64	115.55	99.19	99.85
Europe (1012)	114.22	+0.4	95.61	101.31	3.66	113.74	95.81	101.24	114.22	97.01	97.66
Pacific Basin (681)	168.43	+0.5	141.00	134.74	0.76	167.56	141.15	133.98	172.26	130.81	126.35
Euro-Pacific (1693)	146.77	+0.5	122.87	121.30	1.67	146.06	123.04	120.81	147.53	120.36	114.91
North America (704)	113.69	-1.3	95.18	112.94	3.52	115.22	97.06	114.32	116.07	99.78	99.83
Europe Ex. UK (691)	99.71	+0.2	83.47	93.03	2.92	99.53	83.84	92.97	99.71	80.27	84.82
Pacific Ex. Japan (225)	125.69	+0.0	105.22	110.09	4.31	125.71	105.90	110.03	128.27	87.51	88.74
World Ex. US (1891)	145.65	+0.4	121.93	120.76	1.74	145.00	122.15	120.30	146.49	120.26	114.59
World Ex. UK (2149)	132.67	+0.2	111.06	118.44	2.08	132.96	112.00	118.68	132.96	111.77	107.94
World Ex. So. Af. (2410)	133.20	-0.1	111.50	118.23	2.30	133.38	112.35	118.45	133.38	113.26	108.73
World Ex. Japan (2014)	114.41	-0.6	95.78	108.80	3.61	115.14	96.99	109.60	115.54	100.00	99.00
The World Index (2470)	133.06	-0.1	111.39	118.10	2.31	133.24	112.25	118.30	133.24	113.37	108.86

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).